

NEWS: EUROPE

Russian star drives an easy bargain

By John Thornhill in Moscow

Russia's acting president turned second-hand car salesman yesterday as the government started selling off its fleet of foreign limousines.

Mr Boris Nemtsov, the radical young reformer put "in charge" of the Kremlin while President Boris Yeltsin is on a trip to the US, supervised the auction of foreign cars as part of his populist "buy Russia" campaign.

Surrounded by television cameras, Mr Nemtsov watched the

proceedings begin with the sale of a toy Mercedes for \$300. Five full-sized Audis, a Saab and a Chevrolet were quick to follow, although they were sold at disappointingly - some said suspiciously - low prices of about \$20,000 apiece. Two cars remained unsold.

Mr Nemtsov blamed the media hordes for scaring away potential buyers. Others suggested insider dealing as a possible cause.

The Kremlin's rising political star promised the proceeds would help the government pay off its

debts to millions of pensioners and federal employees. He said that by the end of 1998 all the country's bureaucrats would be driving cheaper, Russian-made cars - most of them Volgas manufactured in the minister's home town of Nizhny Novgorod.

"Things will not change until our bureaucrats and deputies have felt with their own backsides all the delights of the Russian roads, until they have felt all the particularities of Russian cars," he joked.

Mr Nemtsov, who entered the

government in March, claimed his campaign was already beginning to have an effect, with sales of Russian-made cars jumping 13 per cent in the first five months of 1997 compared with the same period last year. The publicity stunt was typical of the style of Mr Nemtsov, who is that most rare of Russian politicians: a popular reformer.

An opinion poll published this week showed that Mr Nemtsov topped the list of potential presidential candidates, with an approval rating of 22 per cent.

The Russian media enjoyed

poking around inside well-known bureaucrats' limousines and chided Mr Aman Tuleyev, the Communist minister for relations with the Commonwealth of Independent States, for crashing his Audi. The damaged car was sold to a spare parts dealer for \$10,000.

In Denver, where he is attending a meeting of the world's industrial leaders, Mr Yeltsin entered into the spirit of the campaign as he was ferried around in a Russian-made Zil limousine.

Back in Moscow, though, Mr Yeltsin still prefers his Mercedes.

Yilmaz gets call to lead Turkey

By Kelly Couture in Ankara

President Suleyman Demirel yesterday appointed Mr Mesut Yilmaz, the secular leader of the conservative Motherland party, to form Turkey's next government in the wake of the collapse of an Islamist-led coalition.

The appointment appears to be a victory for military leaders who signalled this week their opposition to a reconstituted Islamist coalition under Mrs Taner Ciller, leader of the True Path party.

The army, which sees itself as the guardian of a secular Turkish state, has accused the outgoing government of fueling a subversive religious movement aimed at transforming Turkey into an Islamic state.

Mr Yilmaz, a former prime minister who led a short-lived coalition last year, said he favoured a broad-based consensus government.

His task will not be easy. His Motherland party fields just 129 MPs in the 550-seat parliament, but he said he was confident he could put together a cabinet list by June 30 to lead the country to early polls next spring.

"My aim is to set up a government as sound as possible, as soon as possible," the new prime minister-designate said. He said that he planned to begin talks immediately with the rival conservative True Path party of Mrs Ciller as well as several left-wing and smaller parties.

Last year Mr Yilmaz forged a brief coalition with Mrs Ciller, aimed at keeping

the Islamists out of power. But the union fell apart after Mrs Ciller withdrew her support.

Mr Yilmaz excluded a role for the outgoing Islamist Welfare party of Mr Necmettin Erbakan, who resigned on Wednesday amid a stand-off with the nation's powerful armed forces that had immobilised his government.

To obtain a majority in the 550-seat parliament, Mr Yilmaz, who reportedly has the support of two left-wing parties and a small centrist party, would require the defection of about 10 members of Mrs Ciller's True Path if he cannot persuade her to bring her party into a Yilmaz government.

Mr Ciller had lobbied to be given the government-forming mandate on the basis that her 116-seat party had the guaranteed backing of the 155-seat Welfare party and the small seven-seat Grand Unity party, adding up to a 282-seat parliamentary majority.

Mr Erbakan, Turkey's fallen Islamist prime minister, said the appointment of Mr Yilmaz was not in line with the dictates of democracy.

"To suddenly make the appointment after talking only to the opposition is against democratic practice," Mr Erbakan said.

The Istanbul stock market index, battered by recent political chaos, ended up 2.56 per cent on hopes Mr Yilmaz would get the nod from Mr Demirel.

Trading closed before the announcement.



González: his unexpected resignation shocked colleagues and opponents alike

González quits as leader of Spain's Socialist party

By David White in Madrid

Mr Felipe González, the Spanish Socialist leader, dropped a political bombshell yesterday when he announced he was standing down from his party post.

Mr González, who headed the Spanish government from 1982 until last year, made the announcement towards the end of a virtuous opening address at a party congress in Madrid.

"I will not be a candidate for secretary-general," he said, referring to the leadership post. His statement was greeted by a murmur of disbelief among party delegates, who were preparing to re-elect him tomorrow.

Closely colleagues said his decision was firm, but they indicated he was likely to remain president of the

Socialist parliamentary group, a post created for him after the party's unexpectedly narrow defeat in the March 1996 election.

That, they said, would leave open the option of placing Mr González at the head of the party's list of candidates in the next election - due in 2000. He would not necessarily have to be party leader to be in line for the premiership.

Making clear he was not abandoning politics, Mr González called for discussions with other groups on a broad "platform of ideas", proposing a rebuilding of the party's bridges with trade unions. In a commanding performance, he said he would "remain available" to work for this project.

Mr González, 55, has recently been somewhat

eclipsed as a senior European socialist figure by the election triumphs of Mr Tony Blair in the UK and Mr Lionel Jospin in France. His move could be seen as a tactical withdrawal similar to the gamble he took in 1979, when his bid to strip the Spanish party of its Marxist ideological base led him to quit the leadership, only to return five months later.

His decision left the party 48 hours to find a new leader. The timing of the move seems to rule out Mr Javier Solana, the party's secretary-general, previously seen as a potential successor.

The odds were on the choice of another close González associate as a stop-gap leader. The names of Mr Joaquín Almunia, parliamentary spokesman, Mr Alfredo Pérez Rubalcaba,

minister for the prime minister's office in the last government, and Mr Ramón Jiménez, the party's Basque leader, were mentioned.

Some party figures

suggested a bolder alternative might be Mr Pasqual Maragall, the popular Socialist mayor of Barcelona, who is leaving the post this autumn.

Yesterday's *coup de théâtre* transformed the party congress, which had been expected to centre on the controversial role of his long-time number two, Mr Alfonso Guerra, main bugbear of González loyalists.

Mr González, who has held

absolute sway over the party since the end of Spain's Franco régime, said it would not be right for him to try to "pilot" the leadership succession.

Romanian miners strike deal

Striking miners in Romania's Jiu Valley have reached a compromise with the government whereby they will receive a 22.5 per cent pay rise. The government has also agreed that miners can retire on full pension at the age of 40, or after 20 years' service and that for the moment at least, there will be no mass dismissals as a result of restructuring.

The Jiu strikers had demanded a rise of 45 per cent, but this was rejected as excessive even by miners in other parts of the country.

A commission has been appointed to draw up plans for new industries in the mining areas. Miners' leaders are claiming that the government has agreed an extra 7 per cent pay rise beginning in August, but this appears to be part of a partial indexation for inflation, which has been in place for some time.

Anatol Ilean, Bucharest

Gazprom director injured

The Russian media reported yesterday that one of Gazprom's senior directors had been the target of an assassination attempt when a bomb exploded under his car and partially severed his left leg. Police declined to speculate on the cause of the attack but did not rule out the possibility it was connected with Mr Vladimir Zavgordov's business activities as deputy director of Gazprom's gas export subsidiary.

Gazprom has been undergoing tumultuous change in recent months as the reformist government has forced the company to start restructuring. The Delovoye Mir newspaper said yesterday that Mr Ram Vyakhirev, Gazprom's chairman, might be replaced at the company's annual meeting on June 28 although company officials dismissed the report.

Gazprom confirmed yesterday it had retained ABN Amro and Goldman Sachs banks to help it raise a \$1bn eurobond and a \$1bn convertible bond. The company said last week it had also mandated Dresdner Kleinwort Benson and Crédit Lyonnais to raise up to \$4.2bn of short-term finance.

John Thornhill, Moscow

Swiss reject US criticism

Switzerland has strongly rejected a US government claim that its dealings with Nazi Germany helped prolong the second world war. It says that it was not possible given that its total exports and financial transactions only contributed 0.5 per cent to the estimated \$350bn German war effort.

Mr Flavio Cotti, Swiss foreign minister, said that his government could not accept accusations in a recent report by Mr Stuart Eizenstat, US under-secretary of commerce, that Switzerland had prolonged the war and that its policy of neutrality had been immoral. The accusations were made in last month's report on US and Allied efforts to recover looted Nazi gold. Mr Cotti also accused Mr Eizenstat of not understanding the meaning of neutrality. He said that the report made no mention of Switzerland's \$1.2bn contribution by Swiss people between 1944 and 1945 to victims of the war.

William Hall, Bern

Picasso painting recovered

A painting by Pablo Picasso valued at up to \$7m has been recovered undamaged more than five years after being stolen for a second time. France's Grenoble Museum said yesterday.

The painting, *L'Enfant et la Poupee*, was stolen in March 1992 and recovered by police working for a French agency which tracks down stolen items of cultural value. The painting had been stolen in August 1992 but was discovered a week later.

Reuter, Grenoble

Brussels presses for anti-trust pact with US

By Lionel Barber in Brussels

The European Commission yesterday proposed a non-aggression pact between the US and the EU which would oblige both sides to refrain from applying anti-trust laws on each other's territory.

The proposal seeks to prevent tensions over competing anti-trust investigations launched in Brussels and Washington.

But, crucially, it does not cover investigations into mergers.

Merger policy and related questions of jurisdiction have become a contentious political issue in the wake of the Commission's inquiry into the \$14bn Boeing-McDonnell Douglas aerospace merger.

Boeing recognised EU jurisdiction last February when it filed details of the merger. But after Mr Karel Van Miert, EU competition commissioner, raised objections to parts of the deal, a debate erupted over whether anti-trust authorities in Brussels or Washington should take the lead role.

The Commission repeated yesterday that merger inquiries could not be put on hold while waiting for a decision in Washington or Brussels.

Merger investigations were subject to strict deadlines according to law, a spokesman said.

The Commission nevertheless views the new draft accord as a useful tool for business and consumers. It would flesh out the principle of "positive comity" which

Bonn mini-budget to allow new borrowing

By Ralph Atkins in Bonn

Germany's federal government is to introduce a supplementary "mini budget" later this summer to allow an exceptional increase in borrowing in 1997 to help address mounting difficulties in the country's public finances.

The move announced yesterday by Mr Friedrich Böhl, minister in the chancellor's department in Bonn, highlighted the acute pressures created by high unemployment and unexpectedly low tax revenues.

Increased borrowing will heighten expectations that Germany will fail this year to fulfil Maastricht treaty criteria for a single European currency, which set a three per cent target for public

sector deficits. The "mini-budget" is an admission that previously agreed borrowing totals cannot be met.

However, government officials pointed out that the Maastricht targets also cover the finances of state and local governments. Mr Böhl reiterated that Germany would fulfil the criteria through a variety of measures, including "in the area of privatisation".

Pressure from the Free Democratic party, junior members of Chancellor Helmut Kohl's ruling coalition, has led Mr Theo Waigel, finance minister, to all but rule out tax increases to plug budget shortfalls. Instead, Mr Waigel will hold talks next week with spending departments about savings measures and an accelerated privatisation

programme.

Federal borrowing is limited by Germany's basic law which restricts the level to the amount spent on investment, except in economic crisis. But Mr Waigel could borrow an extra DM3.1bn (\$1.6bn) before breaching the limit. No date has been set for the mini-budget but it is expected to run in tandem with the 1998 budget proposals, due to be agreed in cabinet on July 11.

The finance committee of the Bundestag, the lower chamber of parliament, yesterday agreed changes to long-term tax reform plans which will lead to a smaller reduction in tax revenues next year than originally planned.

Energy utilities with large financial reserves would be among the losers.

Magistrate finds evidence linking DC-9 crash off Sicily in 1980 to mid-air clash with Libyan Mig

Did Nato fighters shoot down Italian airliner?

At a military airbase near Rome, a heavily guarded hangar houses the reconstructed fuselage of a DC-9 whose wreckage was recovered from the sea near the island of Sicily, off Sicily.

The civil aircraft was on an evening flight from Bologna to Palermo when it disappeared off the radar screens and crashed into the sea on June 27 1980. All 81 people on board died and only 39 bodies were found.

Over the years the crash of the DC-9, which belonged to the defunct civil airline Itavia, has been variously attributed to a terrorist bomb, a mid-air collision, and an air-to-air missile.

The bodies and wreckage contained traces of the explosive T4. But evidence for any of the theories has been contradictory and sparse. Now, thanks to sophisticated

deciphering of military radar transcripts, and seven years' patient detective work by Mr Rosario Priore, an investigating magistrate, some of the fog is beginning to clear.

The radar transcripts - read with the belated co-operation of Nato - establish a pattern of aircraft movements which suggest the DC-9 was innocently caught up in a mid-air battle.

Shortly after the flight took off from Bologna an unknown military aircraft, identified as friendly by the radar, tucked in underneath it. The aircraft - and possibly a second - followed the DC-9 in this way almost until the last moment. As the DC-9 began to cross the Mediterranean towards Sicily at least six military aircraft were identified in the vicinity, some from an aircraft carrier. In the final moments two of these

closed on the DC-9 in an attack mode and the aircraft underneath broke away.

The Italian investigative authorities believe at least two jets could have been American and two French. The identity of the "friendly" aircraft concealed under the DC-9 is not known.

The Americans have consistently denied any involvement by either their land-based or carrier-borne aircraft. According to its log, the US carrier Saratoga was off duty in Naples. A jettisoned fuel tank, found on the sea bed near part of the DC-9 wreckage, was of a type used by carrier-borne aircraft and has a US manufacturer's serial number (whose records happen to be no longer available).

The French for their part say the aircraft carrier Clemenceau had been in the Mediterranean

but entered Toulon harbour on the morning of the tragedy. They also deny their Corsican base of Solenzara was in use after 5pm despite evidence to the contrary.

Besides this, the French submarine recovery company Ifremer said it had recovered all available wreckage after two summer sessions in 1987-88. But when Mr Priore took over the case in 1990 and called in other experts, the flight recorder and the remaining large parts of wreckage were recovered.

Adding to the mystery, the radar transcripts reluctantly supplied by the Italian air force between 1980 and 1990 had been tampered with.

Indeed, more than 80 members

of the air force, including the top command at the time, face various charges of perjury and destroying evidence.

Apart from seeking to remove

the evidence of air activity over Ustica, the air force officers are alleged to have lied about the discovery of a Libyan Mig-23.

The Libyan jet was said by a hastily convened Italo-Libyan commission to have contained a deserter who ran out of fuel and crashed in the hills of Sila in southern Calabria,

Joséphine
package costs

Mexico's secret power brokers find their voice

By Leslie Crawford
in Mexico City

The most exclusive club in Mexico - a club so secretive it does not even have an official address - has elected a new leader. The Mexican Council of Business Men, which groups the 34 wealthiest chief executives, has chosen as president Mr Eugenio Clariond Reyes, a steel magnate with political connections from the northern city of Monterrey.

There was no public announcement. But as is often the case in Mexico, the news filtered into the public arena yesterday following a private lunch between members of the council and Mr Emilio Chuayffet, Mexico's interior minister and chief political broker.

Like many countries in Latin America, Mexico boasts an alphabet soup of innocuous and largely dormant business associations, set up by governments to increase control over their entrepreneurs.

The Mexican Council of Business Men, however - founded in 1961, when Mexico was toying with socialism - is in a different league. No interest group has wielded as much influence over successive governments, or been as shrouded in secrecy. The council's first charter even forbade the keeping of minutes at meetings.

The council was at the peak of its powers during the mid-1980s, when President Miguel de la Madrid began opening Mexico's closed economy to foreign trade. In 1987, as Mr de la Madrid's term was ending, the council met and interviewed the top seven candidates who were angling for the ruling Institutional Revolutionary party's presidential nomination.

The man who most impressed the council at the "pasarela", or beauty pageant, was Mr Carlos Salinas, who went on to win the PRI nomination and the presidential elections in 1988.

Mr Salinas' privatisations augmented the already considerable wealth of council members. They in turn repaid the president's favours in kind. At a dinner which became known as the

"billionaires' banquet" in 1993, Mr Salinas asked the 30 richest men in Mexico to contribute \$5m each to the ruling party's coffers. While some businessmen balked at the figure, others pledged much more.

Traditionally, the Mexican Council of Business Men meets the president twice a year, and cabinet secretaries on a monthly basis. During the Zedillo administration, the council's influence is believed to have waned.

Top chief executives have developed their own personal relations with government ministers, and this has robbed the council of some of its clout," says Mr Enrique Quintana, an economic columnist at *Reforma*, the Mexico City newspaper.

Mr Clariond, whose steel group IMSSA was recently floated on the New York

stock exchange, is a controversial figure in the business community and was not the first choice to succeed Mr Claudio González, chairman of Kimberly Clark de México, as president of the council. Mr Clariond is understood to have accepted the nomination only after Mr Fernando Senderos of the industrial conglomerate Desc. rejected the offer to lead the council.

Last month, Mr Clariond welcomed President Ernesto Zedillo to Monterrey with a blunt critique of the government's monetary policy.

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His outspoken comments caused a minor scandal, as Mexico's timorous business leaders rarely criticise the government in public, and never before the president.

Iranian exiles urge hard line against Tehran

By Bruce Clark in Denver

Hundreds of Iranian exiles, bashing drums and sporting sashes in their national colours, rallied outside the Colorado state legislature yesterday in a well-drilled protest against the Tehran regime.

"People yes, mullahs no, they are terrorists, they must go," the protesters shouted in an effort to persuade the eight heads of government conferring in Denver to take a tough line with Iran.

The demonstration by the National Council of Resistance of Iranian dissidents, lent one of the few notes of passion to a "summit of the eight", which has been longer on ceremony, and a certain smugness, than on real emotion.

President Bill Clinton has singled out Denver, with its booming high-tech economy, as an example of the flexible, export-led economic performance that all other countries attending the summit should emulate.

But he is expected to have a harder time convincing the visitors to follow the tough US stance towards Iran. West European governments have argued that President-elect Mohammed Khatami should be given a chance to show his moderation, while President Boris Yeltsin has never been convinced of the case for treating Iran as a rogue state.

Members of Denver's Iranian community, which numbers several thousand, say the snow-capped peaks of the Rockies, visible



Salinas: favours

Conservationists are disappointed, but African nations argued a cull is needed

Why elephants may trumpet ivory trade vote

Tony Hawkins in Harare

The past fortnight's wrangling over whether to ease the ban on ivory trade has resulted in a blow for the conservationist lobby - but arguably, a win for elephants.

The Convention on International Trade in Endangered Species (Cites), meeting in the Zimbabwe capital, voted to allow three African countries - Botswana, Namibia and Zimbabwe - to resume exporting ivory to Japan in 1998.

Although Thursday's resolution in favour of downlisting the African elephant from Appendix I, which bans all trade, to Appendix II, which allows trade under quota and strict controls, secured the two-thirds majority needed, it is still believed by conservation groups and by some western governments, most notably the US and Australia.

Greenpeace, the international environmental group, made no secret of its disappointment, noting: "Votes taken by secret ballot allow many countries who covertly supported this move to escape scrutiny from the public."



Ivory stockpiled in Zimbabwe: the convention voted to allow three nations to resume exports to Japan in 1998

Greenpeace apparently had the European Union, among others, in its sights. Although the EU was part of the working party that developed the eventual compromise deal, conference officials claimed that the Europeans abstained rather than taking a principled stand either way on the proposal.

Why, they ask, should we be punished for managing our wildlife successfully?

They say that foreign exchange earned from elephant product exports will enable them to invest more in developing sustainable wildlife programmes.

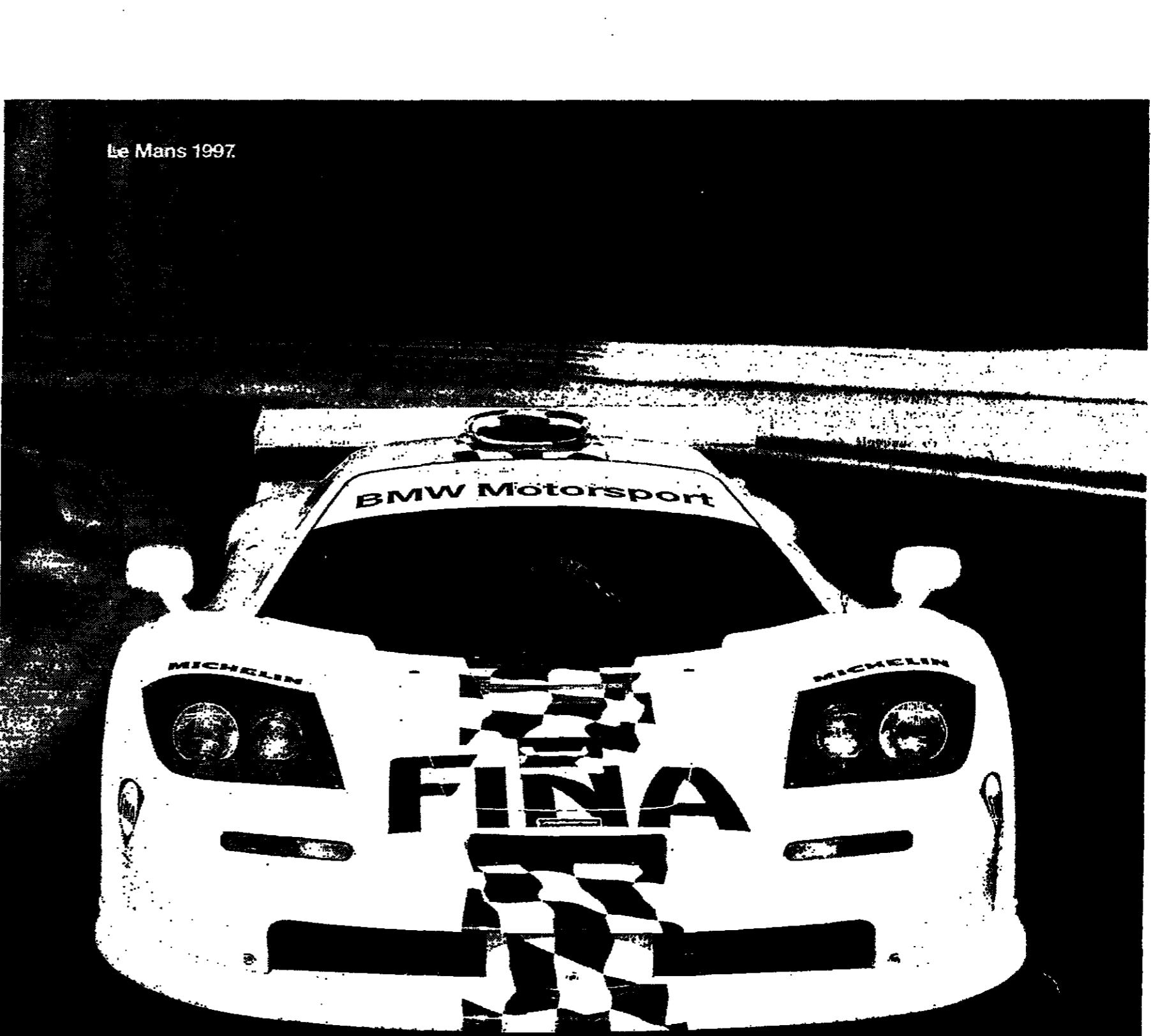
The opponents argue that the Cites decision is a dangerous gamble that risks sending a signal to poachers throughout Africa.

"It is premature andreck-

to work together for the benefit of elephants," he added. Zimbabwe officials were delighted with the outcome, leading other mainly African delegates in celebratory singing and dancing after the results were announced, while Mr Gert Hanekom, Namibia's environment minister, said the vote was a victory for realism over emotion and sentiment.

But the Cites vote is no more than the first hurdle. The task ahead now is to secure international agreement on a strategy for controlling and monitoring the trade, which is not going to be easy, especially for Zimbabwe.

The director of the country's National Parks and Wild Life Management was recently sacked after being found guilty of irregularities surrounding the export of elephants to South Africa. The fact that both he and his deputy were suspended for nearly two years while the case was being investigated, leaving an acting director in control, underlines the difficulties that Zimbabwe could experience in seeking to sat strict international controls in the export of ivory.



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NEWS: INTERNATIONAL

Banker levered into Thai hot seat

By Ted Berdache in Bangkok

Mr Thanong Bidaya, president of Thai Military Bank, is to be Thailand's new finance minister. Government officials said yesterday that the 50-year-old banker was not the first choice but that several other candidates refused to take the post - held by six people in the past two years.

"Thanong is the best we can get under the current constraints. He has had a successful career, is market-driven, conservative and has international exposure. And he is fully supported by the premier," said Mr Poosana Premanoch, deputy secretary-general to the

prime minister, General Chavalit Yonchayayudh.

An associate of Mr Thanong said the new finance minister did not want the job and had intentionally left the country when it became clear that Mr Amnuay Viravan would resign from the post. But he was convinced to take the job as a result of his close ties with General Chavalit and the military establishment.

Analysts and associates of the charismatic Mr Thanong expressed concern that his political ties would make him unwilling to take on the vested interests dominating the Thai cabinet, although his smooth style may make implemen-

tation of uncontroversial policies easier than under the tetchy Mr Amnuay.

There are also worries that since Mr Thanong comes from within the financial establishment and from a bank that has a high level of bad debt, he is unlikely to push for a big shake-up of the financial system which economists say is necessary if Thailand is to defend its currency and avoid financial melt-

down.

Market reaction to Mr Thanong's appointment reflected these opinions. The stock market rose 3.3 per cent on the back of large gains in the banking and finance sectors, as investors bet that Mr Thanong

might ease bad loan disclosure requirements and give financial institutions more time to make provisions for bad debt, which would help short-term profits.

But the Thai currency continued to weaken, with traders saying they believed such tendencies raised the risk of a forced devaluation in the domestic market. The baht closed at Bt26.20 on Thursday. Despite continual central bank intervention throughout the day, the currency closed well outside the bank's trading band. In the offshore market, the baht closed at Bt26.50 to the dollar, down from Bt26.10 on Thursday.

Mr Thanong, who has a doctorate from Northwestern University in the US and is also close to several big telecommunications conglomerates, is credited with bringing an air of professionalism to Thai Military Bank, which is 33 per cent owned by the Thai armed forces. But analysts say he reduced the bad debt ratio at the bank by making more loans rather than by pressing old debtors to pay up.

The local media are likely to revive unsubstantiated claims made by Mr Thanong's former deputy in 1995 that the new minister had engaged in irregular lending practices to military-dominated companies.

INTERNATIONAL NEWS DIGEST

Israel warned of uprising

The former military co-ordinator in the West Bank and Gaza has warned that unless peace talks resume and progress is made, there is a serious danger of an uprising in the occupied territories. Mr Oren Shachar, forced to resign after meeting opposition Labour party senior officials several months ago, was speaking after nearly a week of riots in the West Bank town of Hebron. Israeli soldiers shot and wounded at least 40 Palestinians yesterday, the fiercest day of clashes in a week.

"If we don't progress substantially with the negotiations, a match can light a fire which will spread quickly over all the territories," he told Israel radio. His remarks coincide with growing pessimism among diplomats over the willingness of Mr Benjamin Netanyahu, the Israeli prime minister, to make some concessions in a bid to restart the talks, suspended in March when the government started building a new Jewish settlement at Har Homa in East Jerusalem.

Attempts by Egypt to mediate seem to be getting nowhere and European Union diplomats are increasingly sceptical over Washington's attitude towards the peace talks.

Judy Dempsey, Jerusalem

Japan sees weaker economy

Japan's economy weakened after a tax increase in April, on the evidence of a decline in an important official indicator for that month, published yesterday. The Economic Planning Agency's coincident diffusion index, a basket of indicators of current conditions, fell to 10 per cent in April, the first time in eight months it came in below the 50 per cent dividing line between growth and decline. The coincident index stood at an unusually high 81.8 per cent in March, as consumer spending was artificially supported by a nation-wide shopping spree to beat the tax rise.

The outlook is no better. The EPA's leading diffusion index, pointing to conditions six months ahead, fell from 36.4 per cent in March to 34.6 per cent in April. This lends credence to most economists' belief that the Bank of Japan's latest quarterly survey of business conditions, the most authoritative guide of all to the short-term economic outlook, will show a decline in confidence when it is published next Wednesday.

William Dawkins, Tokyo

Beijing housing protest

About 100 people protesting against housing policies staged a rare sit-in outside the headquarters of China's Communist party and government in Beijing yesterday. Dozens of police were standing around the protesters but did not try to disperse the group, who told passers-by they were angry over being forced to move from their homes.

"It was the first time Chinese had staged a protest outside the Zhongnanhai government and party compound in the heart of Beijing since students demanding greater democracy held demonstrations outside the dark red walls of the compound in May and June 1989. Those protests were crushed by the army with heavy loss of life on June 3-4 1989.

Reuter, Beijing

India eases investment abroad

India's finance ministry yesterday announced measures to assist Indian companies investing overseas in an effort to help the country towards full rupee convertibility on the capital account. The ministry said companies raising funds through Global Depository Receipts or equity offerings overseas could use up to 50 per cent of the value of the offering through investment in foreign ventures.

At the same time, the central bank will be permitted to approve overseas investments valued at up to \$15m, up from \$10m. The move is aimed at allowing more investment outflows while ensuring the rupee remains relatively stable.

Analysts say with healthy foreign exchange reserves of \$2bn, the slightly increased outflows were unlikely to unsettle the rupee or damage exports. The initiatives are aimed at encouraging Indian companies to gain market share abroad and lay the groundwork for capital account convertibility.

Khoszem Merchant, New Delhi

Mexican union chief ill

Mr Fidel Velazquez, 57-year-old leader of Mexico's biggest union group, the Confederation of Mexican Workers, has gone into intensive care at a Mexico City hospital. He had been ill for most of the year. Mr Velazquez, who has headed his organisation for half a century, has long been a linchpin of support for Mexico's ruling Institutional Revolutionary party.

Daniel Domby, Mexico City

Mainland money lifts shares

By John Riddings

Hong Kong investors yesterday demonstrated strong confidence before the territory's return to Chinese sovereignty next month, pushing the stock market up by its biggest daily points increase to a record close.

The sharp increase was prompted by several factors, including lower fears about government measures to curb property prices and speculation that China-backed companies would buy strategic stakes in Hong Kong businesses.

The Hang Seng Index closed at 15,154.36, a rise of almost 650 points or 4.37 per cent. Turnover was a record at HK\$26.45bn (\$3.4bn).

"After the big rise on Thursday no one believed the market could go up by more than 500 points today," said Mr Howard Gorges, vice-chairman of South China Brokerage. "The important sectors all had a strong day."

Several brokers said the rally reflected an expectation that China would ensure a strong stock market during the transition period.

"They have a lot of political capital tied up in a successful transition and a feel-good factor," said the chief market strategist at a US investment bank. "It seems clear that there is a lot of mainland money in the market."

The banking sector was lifted by reports that a mainland company was consider-

Hong Kong

Hong Kong Index (1990=100)



ing buying a stake in Hang Seng Bank, a subsidiary of Britain's HSBC Group and one of Hong Kong's biggest banks.

Chinese companies have bought stakes in strategic British-controlled companies before the handover, but HSBC yesterday dismissed speculation about its Hong Kong subsidiary.

A statement from the group said there were no negotiations or agreements relating to a change in Hang Seng Bank's shareholding structure, structuring, or market speculation. However, shares rose by more than 13 per cent to HK\$10.50, underpinning a rise in the financial sector.

Property companies also saw a sharp increase as the government signalled it would concentrate on supply-side solutions rather than tough tax measures to cool the territory's real estate market. Property companies, which account for more than 40 per cent of the stock market capitalisation, have been hit over recent weeks amid suggestions that the government might impose a capital gains tax or other fiscal measures on real estate transactions.

Stock markets, Page 21

Nervous Malaysians set to ride the storm

How similar are the Malaysian and Thai economies? An accurate answer to this question is worth more than the proverbial \$64,000: concerns that Malaysia may yet go the way of Thailand have contributed to the loss of M\$75bn (US\$30bn) from the value of Malaysia's stock market so far this year.

A clear reading on Malaysia's vulnerability is, however, frustrated by numerous statistical lacunae and the fickle nature of sentiment. But a cross section of bankers, corporate leaders and stock market analysts say that while Malaysia's economy is in many ways sounder than Thailand's, a likely slowdown in growth late this year and in 1998 could uncover some unexpected fragilities.

"Malaysia is generally much sounder than Thailand. But this doesn't mean that we shouldn't be concerned at the problems that may emerge as Malaysia's economy begins to slow down some time late this year or next," said a top banker in Kuala Lumpur.

Pessimistic assessments often start with what appears to be a policy bind for the central bank, Bank Negara. The high interest rates necessary to defend the ringgit currency against attack from speculators appear also to be cooling investment in the manufacturing sector, the economy's main engine. The construction and property sectors are starting to slow, mainly because of curbs on lending for property and stock mar-

ket investments imposed by the central bank in April to avert a Thai-style asset bubble.

Some economists worry that the very policies intended to protect the economy could weaken it by driving down growth and worsening the impact of an expected property glut. Thailand's problems began when a slowdown in growth exposed the dangers of imprudent lending to highly geared property companies beset by oversupply.

"I think there will be a slowdown in private investment toward the end of the year," said Mr Neil Saker, regional economist at SocGen Crosby in Singapore.

Though it would be rash to construe a trend from just three months of data, a sharp fall in investment applications from both foreign and domestic sources in the first quarter of this year does provide pause for thought. Approvals fell by 6.5 per cent to M\$3.5bn, compared with the same period in 1996, official figures show. Approvals for the whole of 1996 amounted to M\$34bn.

The figures are reinforced by anecdotal evidence. "Now is the time to move into cash," said one chief executive officer of a large Malaysian infrastructure company. "The slowdown is coming next year."

Mr Azmi Wan Hamzah, chairman of Land and General, a diversified property company, said this year would be characterised by the divestment of non-core investments and the closure or sale of activities with limited prospects. "Under the circumstances, it is difficult for me to drum up an upbeat forecast," he wrote in the company's annual report.

For Malaysia, which has notched up nine years of growth rates above 8 per cent, the prospect of a slowdown means facing the unknown. Many companies are geared for growth; they have ambitious fund-raising plans - which often assume a buoyant stock market - to

satisfy large capital outlays. But the stock market's retreat has already exposed unexpected weaknesses. Renong, a large and diversified infrastructure company, found an elaborate method this month of disposing of M\$461m in unsold shares in the Cayman islands, in an operation which analysts said betrayed the fact that it was short of cash. Eksan, the company leading the construction of a M\$13.6m hydroelectric dam, appears to be in financial trouble after its M\$1.46bn rights issue flopped this month.

Several other large initial public offerings, including those by Binariang, a telecoms company, PLUS, a toll road builder, and KUR, which is to become an infrastructure-based conglomerate, have been postponed. Such fund raising delays may contribute to an investment slowdown, while a property glut expected some time in 1998 could depress real estate values, economists said. The large number of share warrants which come due in 1998 and 1999 could also strain company resources, they added.

Customs duty for most industrial inputs in the 25 per cent tariff band will be cut to 15 per cent to reduce costs and encourage direct foreign investment, which the minister said, will replace foreign aid in the next millennium. The government will liberalise the state-owned telecommunications and railway companies by opening them to private sector participation with a view to improving efficiency.

Revenue collection procedures will also be streamlined during the 1997-98 financial year to make tax evasion more difficult.

Mr Mudavadi said no new government

projects would be initiated during the next two financial years, as there had been an accumulation of incomplete and non-viable projects which have led to escalating public expenditure.

The minister said the government intended to keep the overall budget deficit at 1.7 per cent of gross domestic product, and priority would be given to improving and maintaining infrastructure, social services, primary education, basic and preventive health care and rural water supply.

Kenya plans to lower both corporate and personal tax rates during the 1997-98 fiscal year to encourage savings, investment and job creation, Mr Musalia Mudavadi, the finance minister, said on Thursday, AFP reports from Nairobi.

Corporate tax will be cut from 35 per cent to 32 per cent, while the rate for local subsidiaries of foreign companies will be 40 per cent instead of 42.5 per cent, according to the budget statement to parliament.

Mr Mudavadi - who read the budget

speech amid unprecedented shouting and boozing by opposition members calling for constitutional reforms - proposed to increase the personal income tax threshold by 10 per cent to cushion low-income earners against inflation.

That will raise the threshold of monthly income subject to tax to KSh6,600 (\$122), in effect removing 152,000 people from the income tax net.

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Israel warned
of uprising

NEWS: UK

New opposition leader William Hague appoints Cecil Parkinson as party chairman

Thatcher's ally to help rebuild Tories

By John Kampfner,
Chief Political Correspondent

Mr William Hague, the new Conservative leader, yesterday gave the task of rebuilding the party to one of Lady Thatcher's most trusted lieutenants, Lord Parkinson.

The return of Lord Parkinson to the Tory chairmanship, a post he held in 1981-83, was the first of five top posts announced by Mr Hague on his first day in charge.

In a step towards healing rifts that widened during the acrimonious two-week leadership contest,

Mr Hague persuaded four of his five original rivals to join his shadow cabinet.

Mr John Redwood accepted the job of shadow trade and industry secretary, a move that could help defuse tension following his ill-fated one-day alliance with Mr Kenneth Clarke on Wednesday.

The initial appointments appeared to confirm predictions of a Eurosceptic tilt. However, senior aides of Mr Hague said the full shadow frontbench list, to be announced today and tomorrow, would reflect a balance.

Among those tipped for senior positions are members of his campaign team such as Mr Michael Ancram, Mr Francis Maude, Mr

These choices were expected, as the two supported Mr Hague after withdrawing early on. Mr Stephen Dorrell, who endorsed Mr Clarke, was given the education and employment portfolio.

The shadow cabinet will, nevertheless, represent a shift away from the one-nation politics of Mr Clarke and Mr Michael Heseltine, who have retired from the front line.

Mr Hague will today begin the task of reviving party morale in Scotland where there are now no Tory MPs. He will hold meetings with activists in Glasgow and Edinburgh. Aides said he wanted to show there were "no no-go areas" for Tories.

James Arbuthnot and Mr David Willetts.

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The legacy of Lady Thatcher,

who came to Mr Hague's support at the last moment this week, was evident in the controversial appointment of Lord Parkinson.

A dapper figure, popular among diehard Tories, he was forced to resign as trade and industry secretary in 1983 after revelations of an affair and a child with Miss Sara Keays, his secretary.

Appearing outside Tory headquarters with Mr Hague, Lord Parkinson said the offer had come as a surprise and that he would do it for "a couple of years". Hague loyalists described it as "the perfect blend of youth and experience".

UK NEWS DIGEST

Millennium chief named

The task of masterminding the £580m (\$857m) millennium exhibition at Greenwich has been given to Mr Peter Mandelson, the minister without portfolio.

Mr Mandelson, whose grandfather Mr Herbert Morrison MP was put in charge of the Festival of Britain celebrations of 1951, met staff of Millennium Central, the operating company, yesterday.

He told them the task was to ensure the exhibition was a thrilling event "which every child would bequeath to parents to take them to see". Mr Mandelson will be the sole shareholder in Millennium Central, which was taken under government control earlier this year in order to ensure the project's survival.

His appointment came the day after Mr Tony Blair, the prime minister, stepped in to save the exhibition. The troubled project, which features a huge dome at its centre, had faced a rising tide of calls from some politicians and parts of the media for it to be scrapped. One idea being mooted is to bring in a single leisure organisation, such as Mr Richard Branson's Virgin Group, to organise marketing of the exhibition. Christopher Price, London

■ MINING

Scottish colliery to close

The Coal Authority is to close Monktonhall colliery near Edinburgh, after receiving no satisfactory offers from potential operators. The mine has been maintained by the authority since April 23 when the operator, Monktonhall Colliery, was put into liquidation by Waverley Mining, following severe flooding.

The authority said one application to operate the pit had been "substantially incomplete" and it was decided to close the pit. An application on Wednesday from Caledonian Mining, a mine engineering company based in England, led to a meeting on Thursday, but the company decided yesterday not to proceed.

Monktonhall, mothballed by British Coal, was reopened in 1992 by a consortium of about 150 miners who each invested £10,000 (\$16,500). In 1993 they were bought out by Waverley which gave each of them 10,000 unlisted A-shares convertible in 1998 into ordinary shares. Waverley shares, which were then worth about £1, closed yesterday at 29p.

James Burton, Edinburgh

■ CONSUMER CREDIT

Card spending records 19% rise

Consumers cashed in their building society - mutually-owned home loans and savings institutions - windfall gains early last month, spending £4.55bn (\$7.50bn) on their credit cards and another £3.65bn on debit cards.

The Credit Card Research Group, a payments industry lobbying and statistical organisation, said total spending on plastic cards topped £2.21bn in May, up 19 per cent from the same month of 1996. Spending in national retailers rose by 20 per cent to £4.66bn, while card payments for travel and entertainment rose only 17 per cent to £3.36bn.

The spending figures followed Thursday's announcement from the Bank of England that bank lending had soared to £9.2bn in May, fuelling fears of an inflationary boom driven by consumer borrowing.

CCRG said heavy credit and debit card purchases from household retailers, up 35 per cent year to year to £7.8bn, suggested consumers were reinvesting their gains from building society and insurance company conversions in their homes.

George Graham, London

■ PUBLIC SECTOR PAY

Health staff reach settlement

A wage settlement was reached for 150,000 administrative and clerical staff in the National Health Service yesterday which will give them pay bargaining parity with the nurses and doctors who are covered by public pay review bodies.

This is the first public sector wage deal made since the election of the Labour government on May 1. Under it, staff are to receive a 2.8 per cent rise in their pay backdated to April 1996. They secure a further 2 per cent from this April and a further 1.3 per cent from December 1997, resulting in a 4.11 per cent overall rise in pay over an 18 month period.

Robert Taylor, London

■ OFFSHORE SERVICE

Jersey base for Scottish bank

Royal Bank of Scotland International is to enter the offshore private banking market with a new service based at its Jersey headquarters.

Aimed at high net-worth individuals who will be required to maintain a minimum balance of £100,000 (\$165,000), the scheme offers personal service and a comprehensive range of advisory facilities.

Some of the latter will be outsourced to specialist companies, including Ernst & Young (taxation), Morley Consultancy Services (property) and Good Health (insurance).

Aimed at expatriates, non-British nationals and non-Britons working in Britain, the private banking operation will start on July 1.

Philip Jeune, Jersey

■ DEFENCE MINISTRY

FT writer appointed adviser

Bernard Gray, defence correspondent of the Financial Times, has been appointed special adviser to Mr George Robertson, the defence secretary.

Mr Gray, who will take up his post early next month, will advise Mr Robertson on the government's strategic defence review and the continued restructuring of the UK defence industry. Mr Gray will work alongside Mr Alasdair McGowan who was research assistant to Mr Robertson in his previous job as shadow Scottish secretary.

Voices out of tune at Royal Opera

FT music critic Andrew Clark assesses the war of words at a national institution

The past week has been a double disaster for London's Royal Opera House. First came a demagogic attack from Mr Chris Smith, the heritage secretary, who said it was "an exclusive place that only toffs go to". Then came the cancellation of a new production of Verdi's *Mascheth* - a victim of bad planning.

Thanks to a series of management and public relations blunders over the past 18 months the Royal Opera has turned into a soap opera.

Its chief executive, Ms Gemista McIntosh, resigned in April after only four months in the post. Furthermore, many employees face redundancy next month when the building closes for redevelopment. Until Ms McIntosh's successor Ms Mary Allen arrives from the Arts Council in September, the ROH is being run by a public relations executive, Lord Chadlington, who became chairman of the board last autumn.

This unedifying spectacle comes as no surprise to seasoned Covent Garden-watchers. The underlying causes can be traced to the mid-1980s when the ROH raised seat prices to compensate for dwindling government subsidy. That was when the board turned its back on broad-based support. It decided that the best way to continue as an international opera house was to play the exclusivity card - and charge prices, currently up to £275, which only corporate subscribers or the rich could afford.

Such a policy can work when everything is going well. But when the going gets tough, you need friends - and the Royal Opera suddenly finds itself politically isolated. The mass of British people have the perception, not entirely borne out by the



Main players offstage at the Royal Opera House, currently playing the exclusivity card with top seat prices of £275

facts, that the ROH has long run, a "dead" audience is bad for artistic health.

So the UK wants an international opera house, it has to find a way of paying for it. The present system combines the worst of both worlds: it is underfunded and overpriced. The company's problems are not just the result of bad decision-making; they have been caused by technical inadequacy and outmoded working practices.

These have been allowed to continue because successive Tory governments refused to help. No other European country would tolerate such a shambles.

The heritage secretary's first target for reform must be the board, which has neither raised enough money nor exercised a proper supervisory function.

An extreme option would be to privatise the ROH: the UK tax system may not encourage private donations on US lines, but if the entire board consisted of wealthy individuals, as at the Metropolitan Opera, short seasons of opera and ballet would be possible. No one could then accuse the very wealthy Ms Vivien Duffield, doyenne of the ROH board, of using her money where her mouth is.

Unless Mr Smith puts his money where his mouth is, Covent Garden could end up neither rich nor popular, but a beggar's opera.

The alternative would be a pared-down board from which major donors were excluded, but including representatives of musical and technical staff.

Mr Smith's comments about a "people's opera" betray a naivety about how an opera house works. A true "people's opera" requires a majority shareholding by the government - and the ROH currently receives less than 40 per cent of its budget from the state.

Unless Mr Smith puts his money where his mouth is, Covent Garden could end up neither rich nor popular, but a beggar's opera.

US-style entertainment complex to be launched

By Alice Rawsthorn

The US-style of multi-purpose entertainment complexes is to be imported into the UK by Screen Works, a Dutch investment consortium, which plans to open a chain of cinemas complemented by shopping and sports facilities.

The first Screen Works centre is scheduled to open in Hartlepool next summer and will encompass a multiplex cinema, equipped with technology developed by Lucasfilm, a company owned by Mr George Lucas, the *Star Wars* director, together with shops, gymnasium, restaurant, swimming pool, a night club and a creche.

Screen Works plans to open a similar complex based around a 10-screen multiplex at Pontefract in West Yorkshire, followed by another between Skipton and Keighley in North Yorkshire. It intends to establish a chain of 15 centres, each of

which could cost up to £20m over the next six years.

Mr David Heyworth, managing director, said the complexes will be aimed at 16 to 30-year-olds, who represent the majority of cinema-goers. He added that Screen Works' strategy was to present consumers with a "fresher, more relaxing, fun and imaginative" alternative to conventional cinemas.

The Screen Works concept is based on the new cinema, video game and retail complexes, known as "location-based entertainment centres", found in the US.

GameWorks, a joint venture between Seagram and DreamWorks, the North American entertainment groups and Sega, the Japanese video games company, hopes to open 36 such complexes there by 2000. Walt Disney, the US entertainment concern, has plans to develop its own chain.

In the UK, other companies are expected to follow Screen Works by launching

multi-purpose entertainment centres as part of the expansion of the cinema market.

Warner Village, a cinema chain owned jointly by Time Warner, the US entertainment company, and Village Roadshow, the Australian media group, will on Monday unveil proposals for a £23m cinema with 32 screens at Battersea Power Station in south London. The cinema will be part of a complex composed of hotels, theatres, shops and restaurants.

A businessman who spent \$1.65m on a theatre to help his home area's cultural development has been rewarded with the news that it is to become the English Shakespeare Company's national base.

Mr Karl Watkin, a millionaire who started north-east England's self-help Manufacturing Challenge campaign, bought Newcastle's Victoria Grade One listed Tyne Theatre and Opera House from administrators Coopers & Lybrand in late 1995.

Cinema ticket sales drop 17%

By Alice Rawsthorn

UK cinema attendance fell by nearly 17 per cent in the first quarter of this year, according to official figures, reflecting a dearth of blockbuster movies.

In spite of an increase in the number of screens, admissions fell to 24.7m in the first quarter, from 29.6m in the same period of 1995, while gross box office takings slipped to £251m (\$40.4m) from £296.1m, according to the Office for National Statistics.

The market rebounded in the second quarter when the reissued *Star Wars* trilogy, *Romeo & Juliet*, *Liar Liar*, *Space Jam* and *Scream*, performed strongly at the box office.

Cinema operators also have high hopes for the coming quarter. *The Fifth Element* and *Con Air*, the first summer blockbusters to open in the UK, are already faring well at the box office. Other prospective hits - *Bar*

man & Robin, *The Lost World* and *Men In Black* - will open in coming weeks.

The cinema market has expanded fairly steadily since the mid-1980s, when the first US-style multiplex complex opened in the UK.

The number of screens has since increased from 1,355 in 1985 to 2,222 last year, according to Dodoma Research, and admissions have nearly doubled from 72m to 132m.

One of the most aggressive investors is Warner Village, the 17-strong chain owned jointly by Time Warner of the US and Australia's Village Roadshow. On Monday it will unveil proposals for a £25m megaplex cinema with 32 screens at Battersea Power Station in south London.

The opening of new multiplexes should ensure that attendance continues to increase for the rest of 1996, but the depressed first quarter figures illustrate the cinema market's volatility.

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The mixture as before

The departure of Mr Kenneth Clarke to the backbenches after his defeat at the hands of Mr William Hague in the Tory leadership contest coincided this week with a raft of economic statistics that reflected interestingly on the former chancellor's tenure at the Treasury.

On Wednesday, the official figures for last month's high street sales showed consumers in their most buoyant mood since the peak of the Lawson boom in 1988. On Thursday came figures for the money supply and bank lending which suggested that liquidity was swelling through the economy rather faster than expected.

Just to round off the picture, analysts at BZW revised upwards their estimate for the proceeds of denationalisation from £21bn at the start of the year to £34bn. That reflects the bubble in financial shares, which has looked increasingly like a forward indicator of overheating in the real economy.

The verdict must be that Mr Clarke fits all too neatly into the pump-priming tradition of such earlier Tory chancellors as Maudling, Barber and Lawson. The post-electoral hike in interest rates has already been put in train. But the message this week is that there will be more pain to come - and probably more than most yet expect.

The case for gloom should not be overdone. The global capital markets now provide a more effective thermometric control on bad policy than in the past. Mr Clarke's inflationary legacy will thus be a modest one compared with those of his predecessors and the remedial plumbing will be commensurately less painful.

Excess demand

The figures for broad money (M4) in May took the City by surprise, but these numbers are prone nowadays to greater volatility because of the workings of the new gilt repo market. There is just a chance that June numbers may paint a less worrying picture.

Yet the symptoms of excess demand in the economy are pretty unmistakeable. And with around 25 per cent of building society windfalls being cashed in compared with earlier official assumptions of 10 per cent the point is further underlined.

It is clear by now that asset price inflation in housing and in the stock market is having the usual wealth effect. This causes mortgage lending to increase.

while consumer credit expands simultaneously as people furnish new homes. The next stage in the process is a deterioration in the external account, as demand outstrips domestic supply. Once that inflationary safety valve provided by the balance of payments is exhausted, the general price level soars.

The dilemma for policy is that the buoyancy is far from uniform across the economy. Not only are some parts still relatively weak: the appreciation of sterling is imposing an increasingly tight vice on the tradeable goods sector.

Inescapable price

Progressive rises in interest rates to damp down the consumer would increase the squeeze on manufacturing by encouraging short-term capital inflows and further sterling strength. Any budgetary tightening that took money out of the corporate sector would make matters worse for exporters and limit the scope for an upturn in business investment. Yet this is the general expectation of how policy will evolve.

There is no painless way out when the policy errors have already been made. The over-valuation of sterling is part of the inescapable price that has to be paid. What makes it worse for the new chancellor, Mr Gordon Brown, is that Labour's pre-election commitments threaten to prolong the agony.

The priorities, when confronting an economy that is overheating in this way, should be to curb spending rather than saving, and to target the personal sector rather than the corporate sector. Yet by ruling out any room for manoeuvre on income tax the government has removed one of the simplest and most equitable measures for calming frenzied consumers.

All the leaks, meantime, suggest that Mr Brown is keener to remove the ACT tax credit, a measure which will ultimately impose costs on companies, than to abolish the ill-conceived mortgage tax relief.

When it meets after the Budget the problem for the Bank of England's new monetary policy committee will be to decide how big a pre-emptive strike to go for. When domestic consumers and foreign investors have the bit between their teeth, the risk is that an incremental tightening over several months will fail to change expectations. At this stage in the cycle, both electoral and economic, it is right to err on the side of toughness.

Mr Arnault is noting if not a cool customer. Yes, yesterday of all days one might have expected the LVMH chairman to be lashed to the controls of his French luxury goods flagship, masterminding the next phase in the escalating battle over the proposed £23.5m (\$14.5bn) merger of the UK's Guinness and Grand Metropolitan.

Instead, he was in the United States, where emigrated temporarily after the Socialists came to power in the early 1980s, engaged in what a confidant described as a "good piece of corporate banditry".

But then this 48-year-old is no stranger to corporate power struggles. Over nearly a decade at the top of the none-too-gentlemanly world of French business, he has frequently displayed a finely developed sense of when to bide his time - and when to pounce.

"I regard myself as an industrialist," Mr Arnault says. "What interests a lot of economic journalists is movement, when you buy something. But if I have been in all these rapid moves, it is with an industrial target. What interests me now is to manage, if I can, the industrial future of LVMH for the next 20 years."

Born in Roubaix, an industrial town in northern France, where he began his career with Ferret-Savinel, the family construction and property business, Mr Arnault first came to international prominence in the late 1980s. That was a period of turbulence at LVMH, the product of the then recent merger of the Louis Vuitton and Moët Hennessy groups.

This week's events have also been unsettling. Markets appeared surprised by Mr Arnault's raid, which saw LVMH spend well over £200m to acquire a 6.29 per cent GrandMet stake, thus becoming the UK group's largest shareholder. Investors punished the move on Thursday sending LVMH shares down FFr46 (\$7.90). One broker warned that investors did not like the company's "cavalier attitude".

However, confidence returned yesterday and shares rose FFr70 to end the week at FFr1,531.

But whether or not it was appreciated by his shareholders, Mr Arnault's move has certainly raised the stakes in the battle over the Guinness/GrandMet merger. The deal was originally announced by the two companies on May 12 and would create the world's largest spirits and wines group, to be known as GMG Brands.

Mr Arnault last month told the group's annual meeting in Montparnasse he would finance the buy-back by issuing debt. "Analysts sometimes criticise us for not being indebted enough [at a time when interest rates are low]," he said.

He last week started arbitration proceedings at the Paris-based International Chamber of Commerce, an independent body for arbitrating commercial disputes, to determine whether the merger would constitute a "com-

pany event" under the terms of various agreements between the two companies.

If the ruling went in its favour, the door would be open for LVMH to end these links with a company in which it remains the largest shareholder with a 14 per cent stake and with which its formal relationship began nine years ago.

Although the formation of GMG Brands is structured as a GMG Brands, it is structured as a GrandMet bid, in which the latter company emerged with the most important jobs.

The LVMH chairman's latest gambit is being widely seen as an attempt to increase the pressure on the two UK companies at least to present shareholders with a choice between their proposed merger and his preferred *ménage à trois*.

By lifting LVMH's GrandMet stake to 10 per cent, as some observers expect him to do, Mr Arnault could convene an extraordinary general meeting and put his proposals to the UK group's shareholders. Alternatively, the deal could be blocked outright if 25 per cent of the shares voted at a court-convoked meeting to oppose it.

Soundings among big GrandMet shareholders this week indicated that some of them would be happy to consider any alternative proposals that might be put forward by Mr Arnault.

According to one of the group's largest shareholders: "Shareholders are very pleased to see the suggestion of a merger in international spirits because of the opportunity for cost savings. But if there was an alternative proposal . . . people would look at it."

A second shareholder says that, while he does not think Mr Arnault has a big enough shareholding to block the merger, if he has a big enough stake, then any proposals from him will be set to drag on.

Many company chiefs might by now be showing signs of battle-weariness, but Mr Arnault is evidently made of sterner stuff. As a number of former adversaries might bear witness - and Guinness and GrandMet may be about to discover - the LVMH chairman is a formidable and tenacious adversary.

Man in the News · Bernard Arnault

A captain used to storms

The LVMH chairman has proved himself equal to a fight, says David Owen



listened to". A third says he is not convinced about the benefits of the present proposals. He expresses concern that GrandMet shareholders might see the strong growth prospects of the group's Pillsbury food business in the US diluted by the slower-growth Guinness spirits business.

This is all a long way from when Mr Arnault was originally brought in as an important new LVMH shareholder along with Guinness, the UK drinks group with which relations have now soured. He had assumed the chairmanship within a year, displaying what one observer described at the time as a single-minded determination and ruthlessness.

But he did not assume unchallenged power over the extraordinary collection of brand names in the LVMH stable - Christian Dior, Moët & Chandon, Veuve Clicquot & Guerlain - for another two years.

Ironically, Mr Racamier had originally turned towards the current LVMH chairman as a potential ally in his own power struggle against Mr Alain Chevalier, representative of the Moët Hennessy camp. As Mr Arnault once observed: "Seizing opportunities is a key to success in business."

Since the conclusion of that epic struggle, the slim, rather austere-seeming Mr Arnault has turned LVMH into one of the select group of large French companies to be widely regarded as well managed by Anglo-Saxon analysts. As of last September, it had become the fourth-largest French company by market capitalisation, ahead of industrial giants such as Saint-Gobain, the glassmaker; Alcatel Alsthom, the telecoms and engineering group; and Peugeot-Citroën, the carmaker.

Whether or not he eventually gets his way over the planned Guinness/GrandMet merger, Mr Arnault's track record suggests he is unlikely to give up lightly.

The battle comes hard on the heels of two other high-profile disputes. One, over LVMH's acquisition of a majority stake in DFS - one of the world's biggest duty-free shopping chains and representing a dramatic extension of its retailing activities - appears to have been resolved, at least for the time being. In March the company abandoned its bid to acquire the outstanding shares held by a minority investor. The other, over the group's attempt to take control of Chateau d'Yquem, producer of arguably the best white wine in the world, looks set to drag on.

Many company chiefs might by now be showing signs of battle-weariness, but Mr Arnault is evidently made of sterner stuff. As a number of former adversaries might bear witness - and Guinness and GrandMet may be about to discover - the LVMH chairman is a formidable and tenacious adversary.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 3000, e-mailed to letters@ft.com or posted online at www.FT.com. Published letters are also available on the FT web site, <http://www.FT.com>. Translation may be available for letters written in the major international languages.

Market forces not cause of poverty

From Mr Roger L. Markley.

In his Perspectives column (June 14/15), Joe Rogaly epitomises some common fantasies that deserve, whenever they appear, to be roundly mocked. The headline, "Market victims who are free to be poor", gives a hint of the absurdity one encounters inside. Short of recommending a library of economic material for Mr Rogaly's enlightenment, one could just comment that, if he were correct and market forces create poverty while the socialist one he hints at creates wealth, the world would be a very different place from the one we can clearly see.

It has always mystified me how, even before the collapse of

most of the world's socialist command economies, anyone could believe that socialist policies could create and enhance progress and economic well-being in any way comparable to the free-market model. But now, with socialism completely discredited by its monumental and complete failure throughout the globe, how anyone can continue to have faith in such an absurd economic philosophy boggles the imagination.

Tell me, Mr Rogaly, of just one democratic free economy where I can find "pictures of skeletal children"? Perhaps the best way to illustrate the absurdity gushing from Mr Rogaly's column is to use his own words to explain

how we can find the road to paradise: "If the rich countries would just put their hands in their pockets, poverty could be eliminated."

I will look forward to a column in the FT explaining how the tooth fairy may soon rescue us from the next market correction. Mr Rogaly may be working on that now. On the other hand, Mr Rogaly is not alone; after all, Mr Joseph, prime minister of France, perhaps it is I who should reconsider my scepticism about tooth fairies and socialism.

Roger L. Markley,
Quartier de la Courtisane,
01260 Rignat,
France

Wider reach of tax change

From Mr Mark Evans.

Sir, Debate over possible changes to advance corporation tax has concentrated on the effects on pension funds. Former chancellor Norman Lamont's changes affected the tax credit that higher rate non-exempt investors were able to utilise and Gordon Brown's possible changes might be no different. In that case, Barry Riley would be incorrect to say that non-exempt investors would be unaffected ("Second thoughts on the dividend tax dangers", June 19).

Pops, too, would probably be caught and the change would be retrospective. If bank deposits and bonds are not similarly treated there would be a huge incentive to invest in interest bearing securities and probably an increase in companies' gearing as debt becomes a cheaper financing medium. Riley is also unfair to index-linked gilts. The difference in yield to higher rate individuals is much smaller if tax benefits are taken into account.

Mark Evans,
14 Delvino Road,
London SW6 4AD, UK

India. 50 years of self rule.

We measure the results.

FT Survey of India, Tuesday, June 24.

As well as putting the post-independence audit will provide invaluable insights into India's current political, cultural and economic status and give a measured view of its future investment potential.

FINANCIAL TIMES

No FT no comment.

A sporting talent not to be forgotten

From Mr Erik Graves.

Sir, While I commend the Financial Times' attention to the new professional women's basketball leagues, I must point out one error in your article "Women's basketball cock-a-hoop" (June 18). It states that basketball is the only other professional sport played in the

US during the summer months. In fact, between April and October we in the US enjoy watching a sport we call soccer.

Erik Graves,
TSI Soccer,
4324 South Alston Avenue,
Durham,
North Carolina 27713, US

and, the costs of dealing in each new market are considerable. One must find a reliable dealer, get to grips with local regulations and taxes as well as paying foreign exchange charges and coping with language barriers.

These reasons explain why the free-market model predicting

global diversification breaks down, rather than the argument that investors are consistently overestimating the risks of foreign markets.

Aaron Smith,
Queens' College,
Cambridge CB3 9ET, UK

Constraints that keep investment directed on home front

From Mr Aaron Smith.

Sir, Are we really expected to believe institutions don't invest enough abroad for reasons purely based on risk? Mastering Finance: "Why financial investors like to stay at home", June 16? Indeed, there are two more glaring reasons why institutions

Architect surveys the finished work

I've never liked leasehold," says Baroness Thatcher. Perhaps consciously, the words carry an echo of her role in fostering Britain's home-owning democracy.

But the former UK prime minister is not talking about domestic property arrangements. She is pondering the fate of Hong Kong, and the Sino-British treaty she signed in 1984 returning the colony to China.

Had Britain held all the territory on a freehold basis, rather than a lease on all but Hong Kong Island and a sliver of Kowloon, it might now be a fully independent country, she says. It could be playing a role in the United Nations.

So the thought of what might have been will make the final lowering of the British flag in Hong Kong in 10 days' time a sad occasion for her. "We're handing over an absolute gem," she says, perched on an armchair in her elegant Belgrave office.

She will be sad, but not despondent. Provided the new administration in Hong Kong rules with a light hand, she thinks the handover should go smoothly. The benefits that Britain brought to Hong Kong will endure, while China itself slowly becomes a more civil society - but only if China treats carefully and respects the law.

In Lady Thatcher's analysis there is not a trace of empathy with China's frenzied excitement at the recovery of its long-lost sovereign territory. Neither is she impressed by the efforts of Chinese

propagandists to portray the handover as redress for its humiliation in the opium wars of the last century. Instead, she implies, Mr Chris Patten, Hong Kong's last governor, has ensured Britain can leave with dignity. Mr Patten, she says, was right to introduce his democracy reforms after confidence was shaken by the Tienanmen Square massacre of 1989.

China, she maintains, broke its agreement with Britain by appointing a provisional legislature to replace the body elected under those reforms. "In our terms the provisional legislature is not within the [Sino-British] joint dec-

lusion. Lady Thatcher is as responsible as anyone for the agreement. It was she, back in 1988, who broached the issue with China's late leader Deng Xiaoping, mindful of the lease's expiry in 1997. He responded, she recalls, with the proposal that Hong Kong could retain its way of life after its return to China - one country, two systems.

"New ideas are a rare currency in politics. If you can get a new principle, it unlocks all sorts of possibilities. Most certainly, he had that idea and knew the prosperity that would come about by a free-enterprise system."

But she quickly realised the gulf between theory and practice. Dur-

ing the treaty negotiations, Deng demanded that she act to stem capital flight from Hong Kong. He could not understand that she had no power to stop it.

"I don't think if you have been brought up in a Communist or tyrannical system you fully understand the law, and what it is," she says. "They assume that, even though we have a different system, we have the ultimate power to override any other organisation."

So it is today with the handover. The existing law in Hong Kong, she muses, could appear very different when applied by people who were only used to running things in the Chinese way. In the long run, this may not matter because economic and political freedoms are indivisible and a free market will eventually bring political freedom too. But for the short run, she says, it is important that Mr Tung Chee-hwa, Hong Kong's incoming chief executive, exercises care.

"I hope that when they take over for the first weeks and months, they'll make a special point of governing with a very light hand, so that they keep the maximum freedoms. That will be the best wisdom, the best for the people of Hong Kong. It will also be best for China."

Now it is important to scrutinise the electoral arrangements that China makes for Hong Kong. "People who don't perhaps have

Does Mr Tung fully grasp this? She pauses in thought. "If I said it

fully democratic, if you've got something nasty to get across, you put a nice cloak on it."

She approves of the decision by the US and UK - the "real defenders of liberty" - to stay away from the swearing-in of the provisional legislature. But would she be disappointed if France and Germany decided to attend? "Yes - the French in particular," she snarls.

Britain, she is confident, could not have obtained a better deal than it did in the handover negotiation. Now it is a question of assuming - and hoping - things will go well. "If they don't, I think the world would have to get together," she says. But on balance she is optimistic. "It's going to be all right. We're not dealing with a China of 20 or 30 years ago. We're dealing with a China that is coming up in economic freedom."

China must consider how it would stand in the eyes of the world if it came down in a heavy-handed fashion. "I don't think even a powerful country like China can ignore that."

The eyes of the world will be on Hong Kong. Moreover, Mr Tung lives there and knows what it is like. There is continuity in the civil service. Everyone in Hong Kong has known what it is like to live with freedom of speech, freedom of religion and increasing rights to vote.

"You can't wipe that experience out as if it had never been. And it'll be up to China to prove that she can continue to give them as good a way of life."



Haig Simonian looks at a head-turning model from Mercedes-Benz

A new shape for the future



Class act: the radical style of the A Class defies convention

Stretched limousines or bright red Ferraris turn few heads among the burghers of Brussels. The Belgian capital's citizens are so inured to cavalcades of flag-carrying automotive exotica for the bigwigs of the European Union or top brass of Nato that they have long since stopped noticing most vehicles on their streets.

But a tiny new car just 3.5 metres long has been attracting attention all over town this week. For the next month, Mercedes-Benz, the German carmaker best known for its luxury limos, has chosen "the capital of Europe" to launch its new A Class, which goes on sale from October.

The dramatically styled A Class has stood automotive convention on its head by putting the engine under the driver's feet and raising the floor to give passengers a commanding view over other vehicles. Although shorter than a Volkswagen Golf, Europe's most popular car, it claims as much interior space as much larger vehicles while offering the comfort of traditional Mercedes-Benz saloon, says Mr Dieter Zetsche, the company's board member for sales and distribution.

"It has enormous style and character, which will serve it well. But it may be just a little too challenging," says Mr Peter Schmidt, co-head of AID, a motor industry consultancy.

The early signs are promising: Mercedes-Benz says it has received up to 500 orders a day from German customers since it started taking reservations in May. Some 3,000 Italians have put down DM5,000 (£1,750) deposits to bag their place in the queue when sales start in October. And Mercedes-Benz workers, who are allowed to buy one cut-price company car a year and are well known for sniffing out a good buy, have ordered a 45,000.

Such figures have triggered speculation that Mercedes-Benz may have trouble meeting demand for the A Class, which at

DM30,060 will cost only 3 per cent more than a similarly equipped VW Golf. The company has set its sights high, expanding its plant at Rastatt in southern Germany to make 200,000 A Class cars a year and building a factory in Brazil for an additional 70,000 or 80,000 units a year from 1999.

But the reshaping of Europe's small-car market, which has been literally taken to an extreme by the angular A Class, has been under way for some time. Once, small cars were cheap and cheerful, but not particularly sophisticated, comfortable - or safe. Each country had its own icon: the Mini in Britain; the Citroën 2CV in France, or the original Cinquecento in Italy.

But sales of very small, and by definition cheap, cars drifted in Europe in the 1980s. From about 6 per cent of the market in 1980, the share of such vehicles dropped to 3.4 per cent a decade later as motorists traded up to the new, slightly larger "superminis" then being developed. Others turned away when the

choice and quality of smaller cars declined as manufacturers concentrated on larger vehicles.

That all changed in 1992 with the arrival of Fiat's second-generation Cinquecento and Renault's Twingo a year later. By the end of 1996, Fiat had sold about 880,000 Polish-built Cinquecentos, while Renault managed 800,000 Twinges. In Germany alone, where much larger family saloons dominate the market, cars shorter than 3.7 metres had captured 5 per cent of sales, according to Mr Günter Horstinger, an automotive specialist.

Vehicles such as the Twingo showed that small cars could be stylish and sophisticated as well as economical. The Seat Arosa, launched earlier this year by VW's Seat subsidiary in Spain, includes as standard many features such as airbags, power steering and anti-lock brakes, which were once the domain of much bigger models.

Small cars have also rediscovered some of the flair that once made the Mini fashionable in

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Jimmy Burns on the unique cultural identity underlying Barcelona football club's success

Homage from Catalans

No sporting motto is more appropriate than Barcelona's football club's *Som mes que un club* ("We are more than just a club").

The team are clear favourites to win the prestigious Spanish *Copa del Rey* next Saturday against Real Betis, and have already added this year's European Cup Winner's Cup to their panoply of trophies. Even though they failed to clinch the double - arch-rivals Real Madrid made sure of the league title last weekend - Barca are assured of a place in next season's lucrative European Champions League by finishing second.

It is the kind of success that most English Premier League clubs only dream of. And yet an air of uncertainty is sweeping through one of the world's most self-assured clubs.

Bobby Robson, Barcelona's English manager, is preparing for next week's match conscious that the pressures building around him ever since he began his two-year contract at the start of the season are reaching breaking point. A senior club official said this week that it was virtually certain Robson would lose control of team

matters next season to Dutch coach Luis Van Gaal, although no formal announcement would be made until after the cup final on June 28. It is likely he will leave the club.

It may be small consolation for Robson, but the Barcelona board members who have been undermining him behind the scenes now have their own futures on the line. Club president Josep Lluís Núñez announced this week that he was bringing forward elections to the board by a year - to next month - in an attempt to settle internal divisions.

The cause of unrest ranges from negative comparisons between Robson's style of management and that of his predecessor, Johan Cruyff, to what fans perceive as Núñez's mishandling of the popular Brazilian star, Ronaldinho, who yesterday paved the way for his move to Italian club Inter Milan by paying the Pta4bn (£27.4m) needed to secure his contract release from Barcelona. But the most immediate and widely felt source of grievance is Real Madrid's success in the league.

In any other country, Robson complained recently, he would be a hero: "But [at Barcelona] you have to win every game and be above Real Madrid... We've scored 80 goals in half a season and they are still bitching."

Such sentiments serve as a reminder of Barca's unique political identity, which underlies its mass support and its financial success.

Founded in 1899 by a group of Swiss businessmen working in Barcelona, the club developed into a symbol of Catalan nationalism, taking its strength from the region's siege mentality during the repressive Franco years.

It has retained its Catalan identity, together with a certain collective fanaticism. "Barca is a complete way of life... the cause is strong in the head and in the heart and you are either with it or against it. Instead of an army you have a football team," recalls former England and Barcelona coach Terry Venables, who has maintained an emotional attachment to the club.

Being more than just a club has assured Barca of its

self-proclaimed status as the biggest club in the world, with a global network of fans, one of the great cathedrals of football in the 120,000-capacity Nou Camp stadium, and a museum said to be one of the most visited in Europe.

Barca is a very marketable product, its mix of collective sentiment, history, and national identity is something that can easily be turned into profit," says Carles Tusquets, a senior banker and Barca supporter who has served as the club's treasurer.

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over of Pta14bn (£94.5m). Television rights alone were worth more than Pta1bn last season; that figure could rise substantially if the team do well in the European Champions League next season. A further boost will come from off-season friendly matches and prize money if they beat Betis next week.

Barca has traditionally taken pride in its status as a non-profit association owned by its 104,000 members: any surplus is reinvested directly into the club. So far it has refused to be seduced by the stock exchange (like clubs in England) or control by a big company (as in Italy).

England is showing that playing football on the stock exchange is a risky business. We could only contemplate flotation if we could guarantee a majority of the shareholding in the hands of genuine fans," says Jaume Pares, the club's senior administrator.

Barca has never been short of imagination, however, when it comes to raising revenues. Two years ago it set up a trust through which local companies can contribute on a regular

basis. Funds from the so-called Fundación are being channelled towards some of its less commercial projects, such as youth development and basketball.

The club has also been successful in developing its own players. But it is not immune from growing wage demands from top players - including one of its youngest home-grown stars Ivan de la Peña - in the wake of changes in the European transfer market and the loss of fiscal perks after reform of the Spanish tax system.

"We think we have the wage situation under control at the moment but it could become a problem for us in the medium to long term," says senior official Pares.

The Ronaldinho situation is a case in point. Nervous of the forthcoming elections, the board had to balance the potential cost of revising his contract with the Brazilian's popularity among fans as leading goalscorer. As former treasurer Carles Tusquets put it this week: "We may have several cracks [ace players] in the team but Ronaldinho is the crack above all others. We'd be mad to let him go too easily."

After yesterday's move by the player, that task will be more difficult.

COMMODITIES AND AGRICULTURE

Zinc prices at highest for 7 years

MARKETS REPORT

By Susanna Voyle

Zinc prices moved to their highest level for almost seven years yesterday - breaking the \$1,400 a tonne level.

Traders on the London Metal Exchange said speculative buying had helped push the price through stubborn resistance. The metal - which is used to galvanise steel and alloyed with copper to make brass - has been underpriced this year by technical buying, supported by falling inventory levels that hint at a supply-demand deficit for 1997.

The LME price for three-month zinc peaked at \$1,405 a tonne, before settling back to close at \$1,395 a tonne.

"Sentiment continues to improve the longer Chinese zinc exports fail to materialise in Singapore on any significant scale," said Mr Alan Williamson, analyst with Deutsche Morgan Grenfell.

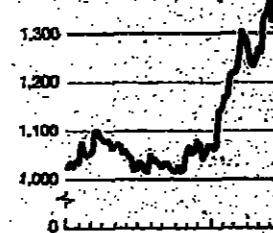
In the longer term, Goldman Sachs analysts say that the outlook for all the LME industrial metals remains positive. "As the expansions in Europe, Japan and the US continue, demand for base metals from the construction, automotive and aerospace industries should remain strong," they say.

Crude oil prices on London's International Petroleum Exchange fell in afternoon trading, pushed down by price weakness in New York. Brent Blend for August delivery - the international benchmark - fell to \$17.50 a barrel at one point, a drop of 28 cents. However, prices rallied slightly in late trading to \$17.58.

Gold was "fixed" in London yesterday afternoon at \$332.20 a troy ounce - the lowest level since February. In the morning the precious

Zinc

LME 3-month metal, \$ per tonne



Source: Bloomberg

LME warehouse stockpiles

Tonnes Change

	Aluminium	Aluminium alloy	Copper	Lead	Nickel	Zinc
Open	889,025	2,650	59,620	121,550	1,202	1,100
Close	813,545	226	58,620	121,550	1,202	1,100
Previous	7070-90	7215-95	58,620	121,550	1,202	1,100
High/low	7280/7130	7185-95	58,620	121,550	1,202	1,100
AM Official	7085-90	7215-95	58,620	121,550	1,202	1,100
Kerb close	7270-90	7185-95	58,620	121,550	1,202	1,100
Open Int.	n/a	n/a	n/a	n/a	n/a	n/a
Total daily turnover	n/a	n/a	n/a	n/a	n/a	n/a

Total daily turnover

n/a

CURRENCIES AND MONEY

Sterling soars

MARKETS REPORT

By Simon Kuper

The pound jumped to its highest level since July 1992, boosted by the strong UK economy, the prospect of interest rate rises, and the buoyant dollar.

Fast growing UK retail sales and bank lending figures for May released this week had earlier nudged the pound higher. But yesterday Asian selling of sterling faded, and the currency broke through resistance at around DM2.85 to the D-Mark.

Sterling gained 2.5 pence against the German currency and 0.7 cents against the dollar to close in London at DM2.865 and \$1.654 respectively. It closed at 101.2 on its trade weighted index against a basket of currencies.

The dollar rose on comments from President Bill Clinton. He said that while

he was worried about Japan's ballooning trade surplus with the US, he thought exchange rates should not be used as a weapon to correct trade imbalances. He said Japan was acting to stimulate domestic demand, which would cut its trade surplus.

Mr Clinton's comments reduced fears that the Group of Seven meeting in Denver this weekend would focus heavily on trade and currencies.

The dollar gained 0.8

■ Pound in New York

Jan 20 Latest Prev. close

2 spot 1.6555 1.6465

1 week 1.6543 1.6472

3 month 1.6515 1.6445

1 yr 1.6385 1.6320

against the yen and 0.7 pence against the D-Mark yesterday to close at Y114.7 and DM1.732.

■ The market is now less afraid than before that trade tensions will shift the dollar/yen rate. President Clinton's

relaxed attitude makes sense

■ Mr Gerard Lyons, chief economist at DKB International in London, notes that Japan last year accounted for just 29 per cent of the US trade deficit, down from 65 per cent in 1991.

With trade off the table for now, traders are again looking at interest rates.

While trade tensions help the yen, then the focus on rates aids the dollar. The belief that Japanese interest rates are due an imminent rise has faded. That leaves

US yields almost 400 basis points above Japanese levels. If next week's tankan survey of Japanese business sentiment is weak or flat as expected, that could help the dollar further.

But the new focus on rates serves another currency even better: sterling. UK rates have risen twice already this summer, and are expected to go up again in July even if Mr Gordon Brown, the chancellor, raises taxes sharply in his budget on July 2.

■ The pound is also benefiting from the growing belief that the putative euro will be a weak currency, says forex strategists. France has given little sign of wanting to adhere strictly to the fiscal criteria for European monetary union. That is leading to flows out of currencies likely to join the euro.

The traditional safe haven, Switzerland, is desperately trying to avert such flows, as it has no wish for a strong currency. The Swiss National Bank is pumping

liquidity into the market.

■ That leaves sterling as the best safe haven in Europe, says Mr Jeremy Hawkins, chief economist at the Bank of America in London.

Furthermore, the growing belief Italy and Spain will join the start of June has boosted Italian and Spanish bonds this week, reducing their yields. Sterling has thus become "the European high yielder", according to Mr Kit Juckes, currency strategist at NatWest Markets in London.

The dollar rose on comments from President Bill Clinton. He said that while

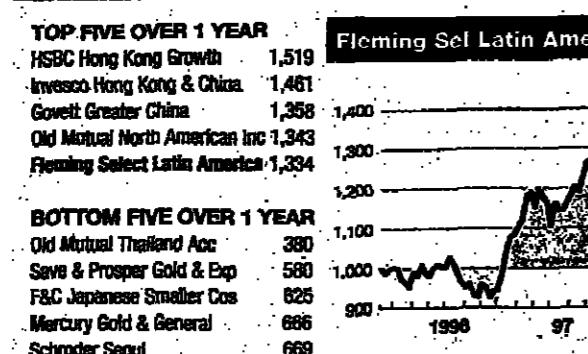
POUND SPOT FORWARD AGAINST THE POUND

Jan 20	Closing mid-point	Change on day	Bid/offer spread	Day's high	Mid	Low	One month	One year	Bank rate	3m	6m	12m
Europe												
Austria (Sch)	20.1574	+0.1745	454-693	20.1701	19.9675	20.103	3.2	19.9603	3.3	19.4848	3.2	10.28
Belgium (Bfr)	55.1508	+0.0516	796-815	55.1500	55.4880	55.0835	3.4	55.1250	3.5	57.0789	3.4	20.20
Denmark (DK)	10.9507	+0.0053	947-146	10.9148	10.7938	10.824	3.1	10.825	3.1	10.755	3.1	10.50
Finland (FIM)	8.0327	+0.0074	739-751	8.0320	8.0480	8.0574	3.5	8.0304	3.5	8.2322	3.4	10.15
France (FrF)	5.2649	+0.0228	954-955	5.2674	5.2784	5.2624	3.2	5.2578	3.2	5.2431	3.2	10.49
Germany (DM)	55.1508	+0.0228	954-955	55.1500	55.4880	55.0835	3.4	55.1250	3.5	57.0789	3.4	20.20
Greece (Dr)	452.055	+3.78	361-456	452.055	448.132	454.459	4.7	457.032	4.9	465.45	4.8	20.45
Ireland (I)	1.0364	+0.0073	942-955	1.0368	1.0371	1.0369	0.5	1.0365	0.5	1.0367	0.5	9.85
Italy (I)	250.151	+0.278	749-812	250.150	255.538	277.455	2.0	260.141	2.0	279.76	2.0	7.84
Luxembourg (Lfr)	55.1508	+0.0516	624-651	55.1500	55.4880	55.0835	3.4	55.1250	3.5	57.0789	3.4	20.20
Netherlands (Flr)	55.1508	+0.0516	624-651	55.1500	55.4880	55.0835	3.4	55.1250	3.5	57.0789	3.4	20.20
Norway (Nok)	12.0279	+0.0056	938-953	12.0311	12.0341	12.0301	3.5	12.0286	3.5	12.0306	3.5	9.23
Portugal (Pte)	268.772	+2.322	922-942	268.769	265.022	268.516	2.0	268.098	2.0	263.988	1.7	9.23
Spain (Pte)	241.555	+2.133	727-769	241.570	239.260	241.044	1.3	240.73	1.3	237.11	1.3	7.73
Sweden (Skk)	12.0288	+0.1077	928-948	12.0281	12.0282	12.0274	2.2	12.017	2.2	12.017	2.2	8.83
UK (P)	2.3833	+0.0184	817-848	2.3855	2.3845	2.3728	5.3	2.3516	5.3	2.3009	5.1	10.53
US (D)	-	-	-	-	-	-	-	-	-	-	-	101.2
SDR (Sdr)	-	-	-	-	-	-	-	-	-	-	-	-
Americas												
Argentina (Peso)	1.6533	+0.007	527-530	1.6533	1.6543	-	-	-	-	-	-	-
Brazil (Brl)	1.7827	+0.0121	620-634	1.7827	1.7795	1.7711	-	-	-	-	-	-
Canada (Cdn)	2.5008	+0.0141	957-971	2.5028	2.5038	2.5024	3.6	2.5008	3.5	2.5038	3.5	8.83
Mexico (New Pesos)	13.1617	+0.128	592-598	13.1638	13.1817	13.1817	-	-	-	-	-	-
US (Usd)	1.6340	+0.0075	533-540	1.6353	1.6353	1.6353	0.8	1.6369	1.0	1.6373	1.0	10.28
Pacific/Middle East/Africa												
Australia (A\$)	2.2017	+0.0003	603-631	2.2008	2.1912	2.2001	0.5	2.1992	0.5	2.1992	0.5	8.22
Hong Kong (Hk\$)	12.0281	+0.057	12.162-12.203	12.0281	12.0281	12.0281	0.1	12.246	0.1	12.246	0.1	7.82
India (Rs)	55.2215	+0.2438	622-625	55.2240	55.4945	55.4917	4.0	55.2161	4.0	55.497	3.8	10.38
Israel (Nis)	5.6738	+0.461	822-819	5.6738	5.6738	5.6738	-	-	-	-	-	-
Japan (Yen)	159.848	+2.144	924-974	159.850	159.040	159.675	6.2	159.771	6.2	174.425	6.3	13.28
Middle East (Dinar)	1.0116	+0.0017	712-714	1.0116	1.0116	1.0116	-	-	-	-	-	-
New Zealand (NZ\$)	2.4156	+0.0011	111-110	2.4157	2.4156	2.4156	0.2	2.4144	0.2	2.4126	0.2	11.25
Philippines (Peso)	43.0225	+0.185	923-935	43.0224	43.0224	43.0224	4.4	44.0418	3.8	45.0288	3.4	10.28
Saudi Arabia (Riyal)	5.6208	+0.0226	011-015	5.6208	5.6208	5.6208	0.8	6.1598	0.8	6.1554	0.8	10.28
Singapore (S\$)	2.3208	+0.0138	592-593	2.3208	2.3208	2.3208	2.5	2.3261	2.5	2.3279	2.5	7.27
South Africa (Rands)	7.4765	+0.0035	556-558	7.4712	7.4712	7.4722	9.8	7.6381	9.8	8.0751	9.3	10.28
South Korea (Won)	146.785	+5.83	500-501	147.715	147.477	146.785	-	-	-	-	-	-
Taiwan (Twd)	41.4680	+0.0212	327-333	41.4685	41.573	41.4675	4.0	41.4317	4.0	45.4584	3.8	10.28
Thailand (Baht)	43.0527	+0.0175	733-735	43.0527	43.0527	43.0527	4.2	43.0527	4.2	44.0268	4.2	10.28

1. For Jan 19. 2. Bid/offer. 3. Spot and forward exchange rates. 4. Forward rates for 12 months. 5. Offered rate for 12 months. 6. Offered rate for 12 months. 7. Offered rate for 12 months. 8. Offered rate for 12 months. 9. Offered rate for 12 months. 10. Offered rate for 12 months. 11. Offered rate for 12 months. 12. Offered rate for 12 months. 13. Offered rate for 12 months. 14. Offered rate for 12 months. 15. Offered rate for 12 months. 16. Offered rate for 12 months. 17. Offered rate for 12 months. 18. Offered rate for 12 months. 19. Offered rate for 12 months. 20. Offered rate for 12 months. 21. Offered rate for 12 months. 22. Offered rate for 12 months. 23. Offered rate for 12 months. 24. Offered rate for 12 months. 25. Offered rate for 12 months. 26. Offered rate for 12 months. 27. Offered rate for 12 months. 28. Offered rate for 12 months. 29. Offered rate for 12 months. 30. Offered rate for 12 months. 31. Offered rate for 12 months. 32. Offered rate for 12 months. 33. Offered rate for 12 months. 34. Offered rate for 12 months. 35. Offered rate for

UNIT TRUSTS

■ WINNERS AND LOSERS



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance. Source: Reuters Hindsight (01625 511311)

■ Indices

Index	1994	1995	1996	1997	Volatility Ytd%
Average Unit Trust	1,040	1,291	1,825	2,254	32.25
Average Investment Trust	1,112	1,308	2,108	2,619	45.49
Bank	1,033	1,112	1,257	1,838	30.43
Building Society	1,089	1,111	1,244	1,642	30.40
Stockmarket: FTSE All Share	1,210	1,627	2,057	2,748	25.35
Inflation	1,028	1,084	1,128	1,501	0.04

■ UK Growth

Trust	1994	1995	1996	1997	Volatility Ytd%
Johnson Fyater Growth	1,254	1,662	2,286	-	33.0
Jupiter UK Growth	1,044	1,820	2,222	-	22.18
Perpetual UK Exempt	1,149	1,735	2,647	-	25.25
Credit Suisse Fellowship Inc	968	1,652	-	-	28.11
Standard Life UK Inv Growth Acc	1,111	1,644	2,128	2,951	3.0
Co-op Penn Equity Dls	1,205	1,585	1,966	-	28.31
SECTOR AVERAGE	1,119	1,425	1,828	2,206	27.26

■ UK Growth & Income

Trust	1994	1995	1996	1997	Volatility Ytd%
Fleming Select UK Income	1,240	1,674	2,147	2,368	2.7 3.6
Perpetual Income	1,151	1,630	2,342	2,794	2.4 2.7
Fidelity UK Dividend Growth	1,115	1,594	-	-	2.4 2.2
Lazard UK Income & Growth	1,134	1,590	2,000	2,367	2.6 3.3
Co-op Penn Equity Dls	1,205	1,585	1,966	-	28.31
SECTOR AVERAGE	1,119	1,425	1,828	2,206	27.26

■ UK Smaller Companies

Trust	1994	1995	1996	1997	Volatility Ytd%
Garforn Smaller Companies	1,077	1,817	2,350	1,910	3.4 0.3
Laurence Keen Smaller Cos	1,043	1,806	-	-	3.0 1.2
INVESCO UK Smaller Companies	1,026	1,730	2,518	1,859	3.8 1.2
ADS Smaller Companies	979	1,708	2,076	-	3.1 0.9
Britannia Smaller Cos Acc	1,041	1,657	2,546	2,110	3.2 0.4
SECTOR AVERAGE	957	1,306	1,847	1,698	3.0 1.5

■ UK Equity Income

Trust	1994	1995	1996	1997	Volatility Ytd%
Jupiter Income	1,118	1,851	3,223	-	2.7 4.0
Lazard UK Income	1,126	1,621	2,160	2,805	2.5 4.1
Royal Life High Income (Dls)	1,168	1,652	2,036	2,130	2.5 3.6
BWU UK Equity Income	1,163	1,671	2,046	2,408	2.8 3.4
Britannia High Yield Inc	1,104	1,665	2,216	2,856	2.4 4.0
SECTOR AVERAGE	1,105	1,388	1,857	2,220	2.6 4.4

■ UK Equity & Bond Income

Trust	1994	1995	1996	1997	Volatility Ytd%
Cazenovia UK Equity & Bond	1,089	1,428	-	-	3.0 6.1
Cler Med Retirement Income Inc	1,119	1,410	1,846	-	2.8 5.4
Profitable Income	1,062	1,401	1,793	2,080	2.2 4.3
Abbey National Extra Income	1,164	1,398	2,075	2,684	2.3 6.1
CIS UK Income	1,128	1,378	1,784	-	2.2 4.1
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MANAGEMENT SERVICES

Setting Date	Setting Price	Buyout Price	% of Value Gross	1 July Capitalisation P/L, London, £100,774	0.71 - 0.94 8.5m £10,000 - 100 day notes	0.80 8.40 7.12 8 - 10%
Northstar Financial Services(Pty) Ltd						
MTS 100% high for 4 years/plus	31.1	54.9	-			
MTS 100% high for 4 years/plus	40.7	62.7	-			
MTS Cmtd and Mgt Acc.	78.2	84.9	-			
MTS Cmtd and Mgt Cap	50.5	54.4	-			
MTS Capital Management PLC						
17th Oct Board Resol, 00m		01225 689444				
Recommmended Price	153.3	161.8	-			
Recommmended Price Acc.	200.0	176.8	-4.5			
Special Shareholders Acc.	150.0	150.0	-			

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Offshore Insurances and Other Funds

Dow tops 7,800 at midsession

AMERICAS

Trading opened briskly on Wall Street in heavy morning volume as options and futures contracts took centre stage during the market's "triple witching day", reports John Lutke in New York.

Rumours continued to swirl of a tobacco company settlement. Expectations put the deal at hundreds of billions of dollars over the long term. Philip Morris traded 5% lower at \$47.4 while RJR Nabisco was unchanged at \$35.4.

The Dow Jones Industrial Average broke through the 7,800 point level by midday, gaining 37.55 to 7,816.42. The broader Standard & Poor's 500 index rose just 1.52 to 1,558.51.

Allied Signal shot up 5% to \$83.6. Computer maker Hewlett-Packard added 5% or 1.6 per cent at \$34.7. Boeing gained 5% to \$56.5 and J.P. Morgan, the investment bank, put on 5% at \$105.9. Travellers Group, the financial services group, surged 5% or 1.5 per cent at \$55.5.

"Triple witching" refers to a once-a-quarter event in which individual stock options, index options and futures expire on the same day, leading to a frenzy of buying and selling as traders roll into the next cycle.

"There's a tremendous

amount of money coming into the market, from individuals and institutions, with a rush to buy into any dips," said Joseph Battigella, chief investment strategist at Gruntal & Co. He saw strength across the board with great breadth.

Major technology companies traded higher, as the technology-slanted Nasdaq composite index crept up by 4.93 to 1,452.07. Among the biggest gainers were Intel, which was up \$1.6 to \$145.9, while Microsoft rose 5.1 at \$131.5.

TORONTO traded narrowly in light volume but by the end of the morning it had managed to notch up modest gains, helped by a steady start on Wall Street. At noon, the 300 composite index was 11.09 ahead at 5,623.80.

Conglomerates were one of the better performing sectors. Canadian Pacific gained 70 cents to C\$39.55.

Alcan Aluminum added 20 cents at C\$49.25 and Seagram gained 25 cents to C\$66.85. Among banks, Royal Bank of Canada put on 35 cents to C\$61.25.

Gold leaders continued to suffer from a weak bullion price. Barrick Gold came off 60 cents to C\$32.25 and Placer Dome shed 25 cents to C\$41.25.

Mexico City advances

MEXICO CITY continued to gain ground, building on the strong run that has taken the market to record high for the past seven straight sessions.

"There is a feel-good factor. Worried about the mid-term elections - due early next month - appear to have faded away," said one broker.

At midsession, the IPC index was 44.01 higher at 4,397.68 in good two-way volume among leading stocks. Telmex jumped 26 cents to 19.06 pesos and Carso

Group, Telmex's holding company, gained 70 centavos to 30.55 pesos.

Cemex put on 105 pesos to 37.35 pesos as sentiment in building-related shares continued to benefit from this week's strong industrial output figures.

CARACAS stayed firm on foreign buying. At midsession, the IBC index was up 64.42 at 7,909.39, although volume was said to be light.

SAO PAULO eased lower in morning trading with a Chinese shareholder. They said that since Hang Seng was one of the territo-

EUROPE

A turn of speed in the transport sector lifted AMSTERDAM to a record high for the fourth time this week. Both KLM and Nedlloyd notch up strong gains to help push the AEX index up 5.61 to 863.20 at the close of trading.

KLM was the day's best performer, adding Ff1.360 or 6.8 per cent to Ff155.50 on the news that the 20 per cent-owned associate Northwest Airlines planned to expand via a big order for new aircraft. Next week's traffic figures from British Airways, where good news is expected, was also said to be driving sentiment.

Nedlloyd, which earlier this week was the subject of Far Eastern rate rise talk, bounded Ff12 to Ff30.9 following an upgrade to "outperform" by Van Lanschot, plus news of a shake-up within the group's road cargo operations. Bolswestern gained Ff1.40 to Ff32.20. Talk of a Russian marginal takeover lifted Unilever Ff1.80 to Ff40.80.

Luxury goods leader LVMH was the main talking point. Down 3 per cent on Thursday, the shares surged Ff77.0 to Ff77.62 as investors put to one side their worries about the group's stake-building in Grand Metropolitan of the UK.

Alcatel Alsthom added

Ff77.21 to Ff77.63 after French brokers upgraded their earnings estimates for 1997 following Thursday's upbeat annual meeting. Retailers stayed in demand. Pinautel Printemps gained Ff7.62 to Ff11.22 and SocGen came of Ff11.00 to Ff11.30.

CSFB moved both BNP and Societe Generale to "sell" on the basis that bank sector restructuring was likely to slow under the present government. The former shed Ff3.60 to Ff7.22 and SocGen came of Ff11.00 to Ff11.30.

Concern about the official

break on privatisation sent Thomson-CSF down by 1.7% to Ff11.82 to Ff11.60. Rhone Poulen dropped Ff2.50 to Ff21.50 following a "sell" recommendation from brokers Transbourse.

ZURICH established a third consecutive record high as blue chips continued

to propel the market upwards. The SMI index ended 5.13 stronger at 5,561.8 in turnover of Ff2.9bn, prompting some analysts

to better than two-drug treatment.

Novartis registered, which jumped 3.8 per cent on Thursday, slowed their upward drive. The stock ended Ff15 higher at Ff2.20.

FRANKFURT was little trading, holding on to the record gains seen in a float session which was dominated by the day's options expires.

The Ibov-indicated Dax ended 10.88 higher at 3,788.27, underpinned by

stronger than fundamental

comment that the week's

rise was based more on enthusiasm than fundamentals.

Roche, a victim earlier in the week of Novartis' popularity, returned to centre stage among the major phar-

ma

shares to an estimated 41.4m

COMPANIES AND FINANCE

ADM to expand cocoa interests

By Virginia Marsh

Archer Daniels Midland, the US agribusiness group, is to become the world's largest independent cocoa processor just months after entering the business.

It said yesterday it was buying the cocoa processing interests of Ede & Man, the UK commodities and financial services group, in a deal worth \$225m (£135.2m).

Mr Martin Andreas, senior vice-president, said the Man operations, based in the UK, US, Brazil and Poland, were a good geographical fit with the cocoa business it bought from WR Grace in February.

ADM had entered cocoa processing - a sector which has been suffering from low margins - because it complemented its other processing activities.

Mr Andreas said: "We produce sweeteners for the confectionery industry, which also buys a lot of cocoa. In many cases the customer lists are identical."

"We also believe we can improve the companies' processing performance through our expertise in that area and improve costs and profitability."

The acquisition will lift ADM's annual processing

capacity to an estimated 450,000 tonnes, giving it about 18 per cent of global capacity. This puts it ahead of Ciba-Geigy, owned by Klaus J. Jacobs of Switzerland, on about 350,000 tonnes and Cargill, its private US rival, with estimated capacity of 260,000 tonnes.

Man, which has been the fourth largest force in the industry, is selling 180,000 tonnes of capacity.

ADM is paying \$108m in cash and will assume debts of \$115m. This compares with the estimated \$470m it paid for the Grace operations and with the FF72bn (£50bn) Jacobs gave for Barry.

Analysts said Man had achieved an "excellent" price for the businesses, which have net assets of \$35.7m. Mr Howard McGrath, managing director, said their pre-tax profits were about \$5m last year.

Man had sold the businesses partly because the group would have had to invest heavily to compete in a consolidating market. It is understood that Cargill was the other main bidder.

Man said the deal would also reduce gearing from about 230 to 190 per cent, with net debt of some \$220m, and allow it to focus on businesses with higher returns.

Zeneca to buy ICI drugs business

NEWS DIGEST

Arena on course for expansion

Arena Leisure, the new company formed after the £10m reverse takeover last month of Lingfield Park racecourse by Farringdon, the hotel and pub operator, could spend £20m or more on acquiring courses and other sports venues in the next year, its chief executive said yesterday.

Mr Graham Parr, a former director of the Harry Ramsden's restaurant chain, said the company had already identified two or three courses it might acquire in the coming months.

Any substantial acquisition would be financed by new equity, he said. The company has set itself a target of developing a £500m leisure business within the next five years.

Its first step to achieving that goal will be to spend the £5.5m raised from a recent share placing and subscription on upgrading Lingfield, which with its turf and all-weather tracks is the UK's busiest racecourse.

Arena will also be working on improving facilities at the four other courses it manages - Folkestone, Brighton, Plumpton and Fontwell - and on marketing the sport to more family and corporate racegoers. Among the innovations planned will be a new ticket package offered to customers that will include combining transport, entry to the course and food and drink.

Patrick Harwood

Report expected on Bass deal

Mrs Margaret Beckett, the trade and industry secretary, is next week expected to publish the Monopolies and Mergers Commission report on the planned merger of Bass with Carlsberg-Tetley.

Zeneca has argued that ICI's sale of its stake in ICI Australia, which is likely to take place next month, fulfills that condition. Yesterday, Zeneca and ICI Australia said they had agreed to transfer the pharmaceuticals business, once ICI ceased to own a majority stake in its former Australian subsidiary.

If the two parties cannot agree on a fair sale price, they will commission an independent valuation.

The board of ICI Australia said yesterday that it did not consider the assets to be a long-term strategic component.

ICI Australia has never broken out the pharmaceutical business's profits and sales. It includes them in its "advanced sciences" division, which earned £22m before tax, on sales of £153m in the first half of 1996-97.

Zeneca and ICI Australia also said they would extend for at least five years their agrochemicals distribution arrangement. Zeneca products are distributed in Australasia by a joint venture between ICI Australia and Incitec of Australia.

The agreements clear the way for ICI and ICI Australia to announce details of the sale of the parent group's holding. An announcement is expected on Monday.

Pacific signs

a deal

Rebel in



Charles Nunnely: has written to members

Nationwide £1m mailing after change of heart

By George Graham, Banking Correspondent

Nationwide Building Society yesterday ordered a £1m (£1.65m) mailing to all its members after the abrupt change of heart of the man who had led the campaign for the UK society to convert to a mutual.

Mr Michael Hardern had been standing for election to Nationwide's board on behalf of the Members for Conversion campaign, but this week he suddenly announced that he now wanted the society to remain mutual.

Mr Hardern's campaign has encouraged a wave of "carpetbaggers" betting that Nationwide would be forced

to convert. The society had to close its doors this week to new savers seeking to share the sort of windfalls which have been enjoyed by members of converting societies such as the Halifax.

Mr Charles Nunnely, Nationwide's chairman, has written to members welcoming the about-turn, but said the campaigners' erratic behaviour "raises very serious questions about their candidates' suitability to be directors of a building society".

The Building Societies Commission, the mutuals' regulator, also cautioned that "being a director of a building society board involves serious responsibilities". The commission said,

however, that it could not decide whether a candidate satisfied the legal requirement to be "fit and proper" until he was elected or co-opted to the board.

In his letter to members, Mr Nunnely noted that the existing Nationwide directors standing for reelection "clearly meet the statutory requirement".

Ballot papers for the board election had already been sent out, but the deadline for voting is July 22. Nationwide included fresh ballot papers with Mr Nunnely's letter and advised members that they could change their vote "in the light of the latest developments". Only the latest voting form received will be counted.

RESULTS		Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (£)	Dividends corresponding dividend	Total for year	Total last year
Assoc British Eng	Vr to Mar 31	37.1	(53.3)	1,254 (1,344)	0.41 (0.77)	-	0.06	0.06
Banner Homes	Vr to Mar 31	26.2	(27.9)	2,036 (0.751)	0.9 (1.2)	1.2	Sept 5	0.3
Univent ♦	6 mths to Mar 31	0.9	(0.88)	0.119 (0.13)	1 (1.1)	-	-	0.7
Investment Trusts								
Electra	6 mths to Mar 31	569.74	(-)	9.91 (11.3)	5.73 (6.53)	4.5	Aug 14	3.9
Wendover Strata	6 mths to Apr 30	471.5	(465.1)	0.004 (0.032)	0.024 (0.19)	-	-	8.4
BSI Enterprise Cap	Vr to Sept 30	-	-	(-)	1.54	July 1	-	1.4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♦After exceptional charge. ♠After exceptional credit. ♠On increased capital. ♦On stock. ♦Special.

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Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 26 June 1997.

Auction of Stock

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.

General

2. This prospectus is issued under the arrangements described in the Information Memorandum for Issues of British Government Stock published by the Bank of England on 27 March 1997 (the "Information Memorandum"). The terms of the Information Memorandum apply to the above Stock and to the auction described in this prospectus except where expressly varied.

Nature

3. The Stock will be repaid at 7 December 2007.

Interest

4. Interest is payable half-yearly on 7 June and 7 December. The price payable for this further issue of the Stock will include an amount equal to accrued interest from 7 June 1997 (the last interest payment date of the Stock) to 26 June 1997 (the settlement date of this further issue) at the rate of £0.37740 per £100 nominal of Stock. This further issue of the Stock will rank for the full six months' interest due on 7 December 1997.

National Savings Stock Register

5. The Stock may be held on the National Savings Stock Register.

FOTRA exemptions

6. The Stock and the interest payable on it will benefit from the exemptions in favour of non-resident holders described in paragraph 21 of the Information Memorandum (FOTRA stocks first issued after 29 April 1996).

Gross payment of interest

7. Interest will be paid without deduction of income tax pursuant to a direction under section 50 of the Income and Corporation Taxes Act 1988.

Stripping

8. The Stock is potentially stripable: paragraphs 6 and 7 of the Information Memorandum therefore apply.

Methods of application

9. Bids may be made on either a competitive or non-competitive basis in accordance with paragraphs 8 to 16 of the Information Memorandum.

Non-competitive bids: amount payable on application

10. The amount payable on application in the case of a non-competitive bid (except in the case of a non-competitive bid made by a gilt-edged market maker), in accordance with paragraph 12(iii) of the Information Memorandum, is £104 per £100 nominal of Stock.

Latest times for receipt of applications

11. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than 10.30 AM ON WEDNESDAY, 25 JUNE 1997; or lodged by hand at the Central Gilt & Mortgage Office, Bank of England, Threadneedle Street, London, not later than 10.30 AM ON WEDNESDAY, 25 JUNE 1997. Gilt-edged market makers may bid by telephone to the Bank of England not later than 10.30 AM ON WEDNESDAY, 25 JUNE 1997.

Bids irreversible

12. Bids will not be revocable between 10.30 am on Wednesday, 25 June 1997 and 10.00 am on Monday, 30 June 1997.

BANK OF ENGLAND
LONDON

17 June 1997

THIS SECTION TO BE COMPLETED BY APPLICANTS ACTING AS AGENT FOR ANY THIRD PARTY
(unless the applicant is a CGO member or is a UK or EEA regulated financial institution, and Section 3 or 4 has been completed)

Full name and permanent address of each third party:

FORENAME(S) AND SURNAME(S) ADDRESS (including postcode)

If additional space is required, please continue on separate sheet.

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS
(We request that Stock sold to us be registered in the unquoted name(s) and that any certificate be sent by post to our office to the first named holder at the address shown below.)

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that to our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons) on whose behalf I am/we are applying.

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION 3, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by paper-to-paper delivery through the CGO Service on 25 June 1997 by the deadline for such delivery on 26 June 1997, and we agree that the compensation to be paid in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

IN THE CASE OF AN APPLICATION MADE ON BEHALF OF A THIRD PARTY, I/we have obtained and recorded evidence of the identity of each person on whose behalf I am/we are applying, and I/we will on demand make such evidence available to the Bank of England or the relevant authority.

SIGNATURE(S) _____
Date _____ of, or on behalf of, applicant

NOTES

(a) A competitive bid may not be made by an applicant as agent for any third party unless the applicant is a member of the CGO or is a UK or EEA regulated financial institution.

(b) Except in the case of members of the CGO Service who have completed Section 3, a CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-01) for the credit of "New Issues" (Account number 58560009) quoting the reference "AUCTION", to arrive not later than 1.30 pm on Thursday, 26 June 1997. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint names of the applicant and one or more others) held with a bank or building society in the UK.

(c) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues"; and must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. The Bank of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. An applicant lodging an application form in person should bring evidence of identity bearing the applicant's photograph (for example a passport) and evidence of the applicant's name and address from a third party, for example a recent bill from a gas, electricity or telephone company or a bank or building society statement.

(d) The procedure for any refund, or further amount payable, is set out in the Information Memorandum.

REGISTRATION DETAILS
Stock may be registered in the names of individuals or a corporate body.

CAPITAL LETTERS PLEASE

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COMPANIES AND FINANCE

German, French bourses in link-up talks

By Andrew Fisher
in Frankfurt and
Andrew Jack in Paris

The German and French stock exchanges are discussing plans to link their operations electronically.

The move is designed to create a stronger market ahead of European monetary union, which will intensify competition among bourses.

They emphasised that the talks were at an early stage. However, Frankfurt bourse

sources said there was plenty of scope for co-operation on the technology side, where the German exchange has forged ahead with electronic trading systems.

Mr Werner Seifert, chairman of Deutsche Börse, which runs the Frankfurt securities and derivatives exchanges, said the intention was to combine the cash market and the futures markets of both exchanges.

"This time it will succeed," he said. "Paris

is our natural partner."

Speaking at the same securities conference in Frankfurt, Mr Jean-François Théodore, head of Société des Bourses Françaises (SBF), the French exchange, said a link-up was planned for 1998. "Although we do not sit in the same boat, we have the same philosophy," he said of the two markets' approach.

The SBF said in Paris it was looking at ways of establishing links that would

enable screen-based transactions on the French and German equities market to be carried out from each other's bourses. The idea was to implement a system shortly after the Frankfurt exchange's new electronic trading system is fully underway in 1998.

A second stage of discussions would cover broader co-operation on such issues as the mutual recognition of each country's registered traders and clear-

ing and settlement systems.

After London, the German and French bourses are the biggest in Europe. With the arrival of the single currency, scheduled for 1999, capital markets will come under competitive pressures as investors concentrate on centres with the best liquidity and product range.

Capital market experts expect the number of securities and derivatives exchanges to shrink after European monetary union.

Mr Seifert said that only a few bourses were likely to survive in Europe. London was obviously in a favourable position because it was a hub of world markets.

Germany was also well placed because of strong equity market growth, the important role of international investors and institutions and its advanced electronic clearing and settlement systems.

See Lex

INTERNATIONAL NEWS DIGEST

Clinical trials boost for Roche

Shares in Roche, the Swiss pharmaceuticals company, climbed more than 2 per cent yesterday after it announced that clinical trials had shown that a combination of its drug Invirase and two other drugs significantly delayed the onset of Aids. The shares closed at SFr13.345, up SFr2.75, in Zurich.

The tests, on 3,455 patients from 22 countries, showed a cocktail of Invirase, Glaxo Wellcome's AZT and Roche's Hivid prolonged survival by 50 per cent compared with patients who took AZT and Hivid only.

Invirase belongs to a class of drugs known as protease inhibitors, whereas Hivid and AZT are reverse transcriptase inhibitors. Clinical trials on "combination therapy" using two reverse transcriptase inhibitors and one protease inhibitor began early last year. The World Health Organisation said last month that triple combination therapies had shown "impressive short-term results" in prolonging life.

The protease inhibitors Norvir, made by Abbott Laboratories, and Crixivan, made by Merck, have also been approved by the regulators.

Michael Peel

Publicis ownership shake-up

The ownership of Publicis, the quoted French advertising group, is poised for a shake-up in the wake of tensions between the family members who control the company. Ms Michèle Bléustein-Blanchet, the youngest daughter of the founder of Publicis, has hired a leading investment bank to help her prepare for the sale of her substantial direct and indirect stakes in the group.

The action follows her public criticism earlier this month of the way Somarel, the family holding company, is run by her elder sister, Mrs Elisabeth Badinter, a writer who is married to Mr Robert Badinter, France's former Socialist justice minister. The tensions come after the death last year of Mr Marcel Bleustein-Blanchet, who created Publicis in 1927. Control of both the group's supervisory board and of Somarel are now held by Mrs Badinter.

Andrew Jack, Paris

Cinram agrees Dutch buy

Cinram International, the Canadian compact disc and video cassette manufacturer, has agreed terms to acquire a Netherlands cassette factory from PolyGram, the Dutch entertainment group. The factory, based at Amersfoort, makes audio cassette tapes for music and video cassettes.

The value of the deal, which is scheduled for completion early next month, was not disclosed.

In a separate agreement, PolyGram, which is already the world's largest record company and is now investing heavily in the expansion of its Los Angeles-based film division, will source audio and video cassettes from Cinram in North America and Europe.

Alice Rawsthorn

Comalco to close plant

Comalco, the Australian integrated aluminium producer controlled by London-based Rio Tinto, said yesterday it would shut its Southern Aluminium plant in Tasmania after Reynolds Metals backed out of a deal to buy the business. Comalco said it was "extremely disappointed", but that it had been seeking a buyer for some time. "A sale to Reynolds was the last option to secure the plant's future. There is now no choice but to close the plant," it said. Details of the sale arrangement had not been made public.

Nikki Tait, Sydney

Asia-Pacific airlines sign alliance deal

By Nikki Tait in Sydney

The long-awaited alliance between Singapore Airlines, Air New Zealand and Australia's Ansett was formally signed in Melbourne yesterday.

The link-up involves code-sharing and integration of networks and schedules. Between them, the airlines fly to about 200 cities in 47 countries and have a fleet of 223 aircraft.

Yesterday, the partners said they would also be looking at joint purchasing arrangements and cargo operations, and shared pro-

motional and marketing arrangements.

However, Singapore denied rumours it would take an immediate equity stake in Ansett. Mr Rod Eddington, Ansett Australia's chairman, said it was "too early to discuss the issue."

"This is not an appropriate time to talk about that. We are here to talk about commercial co-operation," he said.

Air New Zealand already owns 50 per cent of Ansett, with Mr Rupert Murdoch's News Corporation holding the other 50 per cent.



Rod Eddington at yesterday's news conference: 'too early to discuss Singapore Airlines taking a stake in Ansett'

Singapore is thought to be interested in taking an equity interest to cement the alliance, and it has been widely assumed that News will ultimately sell, although it may wish to see the value of the Ansett investment restored first.

Even without an equity component, the alliance will still require various regulatory approvals, including the go-ahead from the Australian Consumer and Competition Commission, which raised initial objections to the tie-up between British Airways and Qantas.

British Airways has ordered five new Boeing 777s and three Boeing 767s. The order brings BA's 777 fleet, powered by General Electric engines, to 23. The 767s will be powered by Rolls-Royce RB211-524 engines.

Tractebel moves to maintain its autonomy

By Neil Buckley in Brussels

Tractebel, the Belgian utility and industrial services group, yesterday took steps to preserve its autonomy after the merger of its ultimate parent, France's Compagnie de Suez, with Lyonnaise des Eaux, the French utility.

An extraordinary meeting of shareholders voted to change the company's statutes to avoid conflicts of interest between the Belgian utility and the new Suez Lyonnaise des Eaux, whose crea-

tion was approved by shareholders on Thursday.

The moves are supported by Suez and were presented to shareholders by Mr Gérard Mestrallet, Suez chairman, who is also chairman of Tractebel.

They follow an intervention by Mr Jean-Luc Dehaene, the Belgian prime minister, who sought guarantees from the chairmen involved that Belgian interests would not be harmed by the French merger.

Representatives of Suez or Société Générale de Belgique, the

Belgian holding company through which Suez holds its Tractebel stake, will be limited to half, less than one, of the total number of Tractebel board seats.

A new seven-member strategic committee of directors, which will prepare Tractebel board meetings, will also contain not more than three representatives of Suez-SGB.

Three new independent directors were elected to achieve the necessary balance, two of them from Flanders, Belgium's Dutch-speaking region. This was a politically

significant move for a company which has many of its interests in Flanders but is dominated by Franco-ophone management.

Tractebel has already moved to dilute Suez-SGB's stake from 65 per cent to 50.3 per cent, through a merger with Powerfin, its own subsidiary which was previously the vehicle for its international expansion. It is also rumoured to be considering a merger with Electrel, the electricity and utility group, of which it owns 38 per cent.

Mr Dehaene this month con-

firmed that he would back such a merger and had suggested it to the chairmen of Suez and SGB. It would create one of Europe's biggest utility groups.

Mr Mestrallet reiterated yesterday that he would support a merger if it was in the best interests of all involved, but Suez-SGB would want to retain "majority control" of the new group.

Mr Philippe Bodson, Tractebel managing director, refused to confirm whether he favoured such a move.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS

	THURSDAY JUNE 19 1997				WEDNESDAY JUNE 18 1997				DOLLAR INDEX					
	US	Days' Change	Local	Global	US	Days' Change	Local	Global	US	Days' Change	Local	Global		
	Index	%	Index	Index	Index	Index	Index	Index	Index	Index	Index	Index		
Australia (78)	237.58	0.5	213.91	213.03	211.27	0.9	3.84	236.44	212.80	212.29	200.41	237.59	188.44	
Austria (24)	220.48	-0.1	174.00	173.00	173.00	-0.1	0.00	195.00	175.00	175.00	175.00	220.48	188.44	
Belgium (24)	251.62	0.3	225.55	225.61	225.61	0.2	2.34	222.92	225.00	225.00	205.57	251.62	211.54	
Brazil (30)	221.82	-0.3	202.75	210.07	208.68	-0.7	-1.26	222.72	204.68	204.68	197.27	221.82	172.65	
Canada (112)	208.92	0.0	188.92	188.14	188.14	0.2	1.85	203.77	185.88	185.88	180.08	208.92	161.08	
Denmark (32)	330.92	0.3	311.88	281.41	280.52	0.7	1.45	307.88	257.03	257.52	248.97	330.92	299.79	
Finland (28)	276.88	0.2	240.48	247.37	247.37	0.4	1.84	274.31	248.04	248.27	239.29	276.88	192.89	
France (40)	224.00	-0.3	201.89	201.41	201.41	-0.2	0.07	224.00	201.05	201.05	195.24	224.00	188.94	
Germany (30)	224.00	-0.3	201.89	201.41	201.41	-0.2	0.07	224.00	201.05	201.05	195.24	224.00	188.94	
Hong Kong (58)	513.76	2.4	482.57	368.23	460.65	510.63	2.3	2.36	501.71	453.08	456.97	460.46	513.76	322.33
Indonesia (27)	246.08	-0.2	221.98	177.15	220.66	-0.7	-1.51	246.00	224.25	224.25	222.57	246.08	187.50	
Ireland (17)	343.97	0.4	315.10	251.22	313.80	0.5	2.30	348.43	249.30	249.30	234.07	343.97	175.59	
Italy (50)	95.01	0.0	105.54	68.39	85.19	0.8	2.10	94.08	65.08	67.32	64.84	95.01	83.38	
Japan (45)	137.87	-0.7	124.24	122.82	122.82	-0.9	-0.70	138.76	125.47	125.47	124.59	137.87	107.59	
Malaysia (107)	527.08	0.7	474.57	370.45	472.90	0.5	1.20	527.08	472.90	472.90	450.00	527.08	310.10	
Netherlands (19)	206.76	1.0	187.65	225.80	205.74	0.8	2.21	322.83	211.38	211.38	205.55	206.76	192.85	
New Zealand (14)	92.99	0.1	83.64	65.87	83.29	0.4	4.01	92.79	83.90	83.90	83.51	92.99	78.85	
Norway (41)	300.05	0.6	278.26	222.47	277.11	0.9								

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COMPANIES & MARKETS

Weekend June 21/June 22 1997

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Brussels and US concerned about merger

Guinness deal with GrandMet probed

By Neil Buckley in Brussels

Both the European and US competition authorities yesterday opened in-depth investigations into the planned \$32.7bn (223.8m) merger of Guinness and Grand Metropolitan, prompting speculation that they might demand changes to the deal.

The European Commission warned last night it had "several concerns" about the impact of the agreed link-up - which would create the world's biggest wines and spirits group - and was extending its initial one-month probe into a second, four-month stage.

It highlighted "significant overlaps" between the two companies, particularly in the whisky, gin and vodka markets.

Simultaneously, Guinness and GrandMet confirmed they had received a second request for information from the Federal Trade Commission, signal-

ling the start of a detailed probe by the US authority.

Under EU law, the EC must give a decision by 27 October. The US has no deadline.

Brussels last night made clear its worries about the power of the planned group, GMG Brands, which would have twice the turnover of its largest competitors, Seagram of Canada and Allied Domecq of the UK.

An unusually detailed statement listed four concerns:

• The combined group would have more than 40 per cent of the whisky market in "certain European markets" - thought to be Spain and Greece.

• It would have such a large share of whisky distilleries in Scotland that it might be able to influence the market position and pricing strategies of competitors.

• It would have significant market share of gin and vodka in some countries.

• Ownership of such a large portfolio of "must stock"

brands would give it greatly enhanced bargaining power with customers.

US concerns are thought to centre on the GMG Brands' potential to dictate prices in the Scotch, gin and vodka markets.

The groups said last night it was too early to speculate on whether they would be asked to divest businesses - which both regulatory authorities can demand.

"There is no list of brands to sell," Guinness said. "We are very, very confident that the documentation we send will satisfy the authorities that there are no competition issues that need to be addressed."

Guinness said it was still confident the probes would not disrupt the planned merger timetable for the new group, which is due to be created early next year.

See Lex; A captain used to storms, Page 6

Diabetes drug data could lead to \$1bn market

By John Labate in New York

US pharmaceutical producer Warner-Lambert is expected to announce "very compelling data" related to its new diabetes drug, Rezulin, which could clear the way to creating what analysts believe will be a \$1bn-a-year market.

Rezulin is now available to only 3m diabetics in the US; the new findings could bolster the case for eventual approval by the Food and Drug Administration for the drug to be available to a much wider population.

The research findings are due to be announced at the annual meeting of the American Diabetes Association in Boston this weekend.

The stock market enthusiastically anticipated the test results in trading on Thursday and Friday. By mid-afternoon yesterday, shares in Warner-Lambert were at \$115.40, a 9 per cent increase from Wednesday's close.

Mr Christina Hener, a pharmaceutical industry analyst at Smith Barney, called advance disclosures of the test results "very impressive", and said they would support "further strong sales growth for Rezulin".

The latest enthusiasm for Warner-Lambert comes at a time when drug companies in general are enjoying a surge in popularity on Wall Street. Warner-Lambert's shares have more than doubled in the past year, thanks in part to enthusiasm over the prospects for Rezulin and Lipitor, a cholesterol-lowering drug.

An oral medication, Rezulin represents a new approach to controlling glucose levels and is part of a class of drugs known as insulin resistance reducers.

It was discovered by Japanese pharmaceutical company Sanofi. Warner-Lambert has won the rights to develop and distribute it in the US, Mexico, Australia and South America. UK pharmaceutical producer Glaxo holds the European rights.

THE LEX COLUMN

Defensive exchanges

That such avowed foes as the French and German stock markets should again be planning to exchange vows is a measure of the seriousness with which they view the growth of competition. They have good reasons to be concerned: there is the constant threat that an already powerful rival, London, will increase its competitive edge, and the risk that alternative delivery mechanisms, such as the internet, will slowly kill the exchanges.

Their last efforts founded on differences over technology. But even if they succeed this time, it is unlikely to make much difference. A single European stock market, of course, would be another matter, allowing one-stop access to all Europe's top listed companies. But that seems a distant prospect so long as countries regard stock markets as symbols of national virility.

The problem, anyway, goes far beyond the structure of the exchanges. Most continental exchanges lack the developed equity culture that markets need to flourish. And recent events in France and Germany show how far removed they remain from the shareholder-driven model of Anglo-Saxon capitalism. It is not for nothing that stock market capitalisation in Germany and France is around 30 per cent of gross domestic product, compared with 130 per cent in the UK. True, the advent of the euro will be a spur to change; the disappearance of intra-European currency risk will free up investment flows, encouraging more liquid equity markets. But efficient exchanges will lubricate this process, not drive it.

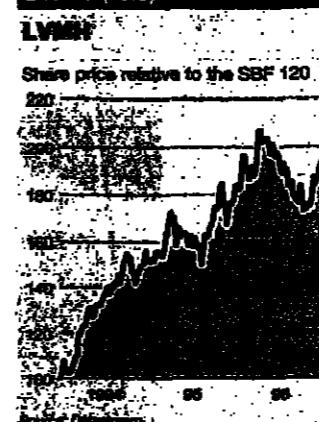
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FTSE Eurotrack 200:
2457.0 (-0.9)



nessy to GMG. There is distribution overlap in large markets like the US, France, Canada and Mexico and head office costs would go. Savings of \$20m a year - a conservative estimate - could create around \$200m of value. And his proposals to demerge the group's food and brewing businesses would make sense if he agreed to do it over a much longer period of time.

But for existing GMG shareholders, it is surely better to deal with Mr Arnault from a position of strength - when a merger is done - than while he is dragging the management into talks. He will then need the deal more than GMG. Of course, he may offer attractive terms now, in which case the management should listen. But if LVMH wants to start exercising control, he should certainly have to pay a lot more for it.

LVMH/GMG

The announcement of US and European Union inquiries into the planned merger of Guinness and Grand Metropolitan into GMG Brands will drag on for months. But it still looks unlikely that GMG will have to sacrifice much more than a little US Scotch - not enough to damage London's Underground. But perhaps that should not be such a surprise. After all, Labour or not, the government can hardly have missed the overwhelming evidence that privatisation works. Mr Tony Blair did

make his name scrapping Clause 4 of Labour's constitution. And remember, he needs the money.

But surely the Tories have left the cupboard bare? Well, no. For a start they left behind oddities such as the Tote and air traffic control. Then there are bigger beasts - the

UK privatisation

Might Britain's Labour government prove an even more vigorous privatiser than its predecessor? The notion is not unthinkable. Indeed, anything is thinkable when even Mr John Prescott, the deputy prime minister, is contemplating selling London's Underground. But perhaps that should not be such a surprise. After all, Labour or not, the government can hardly have missed the overwhelming evidence that privatisation works. Mr Tony Blair did

make his name scrapping Clause 4 of Labour's constitution. And remember, he needs the money.

But surely the Tories have left the cupboard bare? Well, no. For a start they left behind oddities such as the Tote and air traffic control. Then there are bigger beasts - the

Post Office, the BBC and Channel 4 - they were too nervous to touch. There remain, too, large operational chunks of the health service and the social security system that could be contracted out under the guise of "public/private partnership". And all this is without counting Mr Frank Field's wheezes for privatising pension provision.

Ironically, though, the biggest privatisation opportunity of all could be in none of these areas but back in Mr Prescott's domain. Mr Prescott is a public transport enthusiast. And as he must know, the only really compelling answer to Britain's transport problems lies in charging for access to the road network. Start to price roads properly, and their potential privatisation value is truly mouth-watering.

Digital TV

Will UK digital terrestrial television be a crock of gold? Given the fierce fight to win the franchise - and the sharp drop in British Sky Broadcasting's shares when it emerged that the company was being encouraged to quit one of the bidding consortiums on monopoly grounds - one might have thought so. The surprise then is the low valuation of £300m or less that analysts put on the franchise. Split three ways, that is barely a blip for BSkyB, Carlton and Granada, the partners of British Digital Broadcasting, the leading contender.

The franchise itself is worth so little because most of the revenue is expected to be siphoned off to those supplying programmes. BSkyB, which is supplying popular sport and film channels, stands to gain the most. Morgan Stanley, for example, thinks BSkyB would make £230m a year in extra operating profits by 2005 from supplying programmes. But even Carlton and Granada stand to gain 3-5 times as much from supplying programmes as from owning the platform.

Such analysis is fair enough as far as it goes. For several years, BSkyB will actually make more money if it is bought out of BDB because it will not have to cover start-up losses. But the longer-term impact is another matter. If BDB now wins, it will compete more vigorously against BSkyB. For example, if BSkyB really stands to make £230m profits from supplying BDB with football and films in 2005, it is hard to believe BDB will not try to buy those rights directly from the Premier League and Hollywood.

Assurance rivals ready to help rescue Nissan Mutual

By Gillian Tett in Tokyo

Japanese life assurance companies yesterday indicated they would take part in a multi-billion yen bail-out of the collapsed Nissan Mutual life assurance group.

The move paves the way for a resolution of the crisis at Nissan Mutual, which in April became the first Japanese life assurance company to fail since the second world war.

However, according to the terms of the rescue plan, policyholders will be asked to accept lower rates of return on their contracts, further undermining confidence in an industry which has seen a flight of funds to other financial institutions.

The plan, broadly agreed by a meeting of industry officials yesterday, envisages that a

new company will be established to take over the losses.

Nissan Mutual's potential losses from uncovered liabilities are estimated at about ¥300bn. A special industry insurance scheme will cover some ¥200bn of these.

Government officials had hoped contributions from Hitachi and Nissan Motors, "sister" companies to Nissan Mutual who are part of the same corporate family, or *keiretsu*, would help cover the remainder.

But in a break with corporate tradition, the two companies announced earlier this month they would not contribute to the bail-out.

Instead life assurance companies have agreed to help make up the shortfall and it is hoped improved financial returns will reduce the scale of

the potential losses. Nissan policyholders will also have to bear some burden.

Those who cancel their policies will lose up to 15 per cent of the payouts they are owed.

In addition, guaranteed returns on personal annuities offered to Nissan Mutual policyholders will be cut from 5.5 to 2.75 per cent.

The plan will be dropped if it is opposed by more than 10 per cent of policyholders, who have up to a month to register their complaints.

The new company that will take over the management of Nissan Mutual's liabilities will cut the number of sales offices and reduce its staff numbers, on the understanding that the other "sister" companies in the Hitachi and Nissan groups accept some of these employees.

It was discovered by Japanese pharmaceutical company Sanofi. Warner-Lambert has won the rights to develop and distribute it in the US, Mexico, Australia and South America. UK pharmaceutical producer Glaxo holds the European rights.

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Companies in this issue

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A sticky murder. A day at the races... So begins FAKE, our summer mystery story in eight parts, by Michael Thompson-Noel. And you get the chance to win genuine prizes in a series of competitions. See Page IV – after reading Chapter One of FAKE.

Global warming is fine by me, though I imagine it has a downside. For all I know, deserts will liquefy and ice-shelves melt. That will be tough on millions of people. In relative terms, however, we have survived greater perils.

When we first mutated into something you'd call human there must have been times when drought or viruses or tribal disputes reduced our numbers almost to vanishing point. This probably happened more than once. But we lived to tell the story. We have survived and prospered, in a manner of speaking.

The effects of global warming can be gauged easily in London. As things get warmer, London is loosening up – acquiring something of the atmosphere of Naples or Sydney. All you have to do is close your eyes, use your imagination, and inhale the smells of flesh, sweat, sex, money and frank criminality that are rising from the streets.

London even has a young Sun King, Tony Blair, whose recent election victory has invested the TV news with a dash of wan glamour.

Not that it will last. Nothing ever does: a thought that probably occurred to Robert Mallalieu when he realised, as he must have done – he would have had a few seconds – that someone was in the process of cutting his throat.

It is not an easy thing to do, to cut someone's throat. You don't need to be skilled. But you have to be focused. Robert Mallalieu's murder happened on a street in London's Little Venice seven weeks ago. It had been a brilliant spring day. Sky a lazy blue. Temperature almost in the 80s. Unseasonable humidity as sticky as blood.

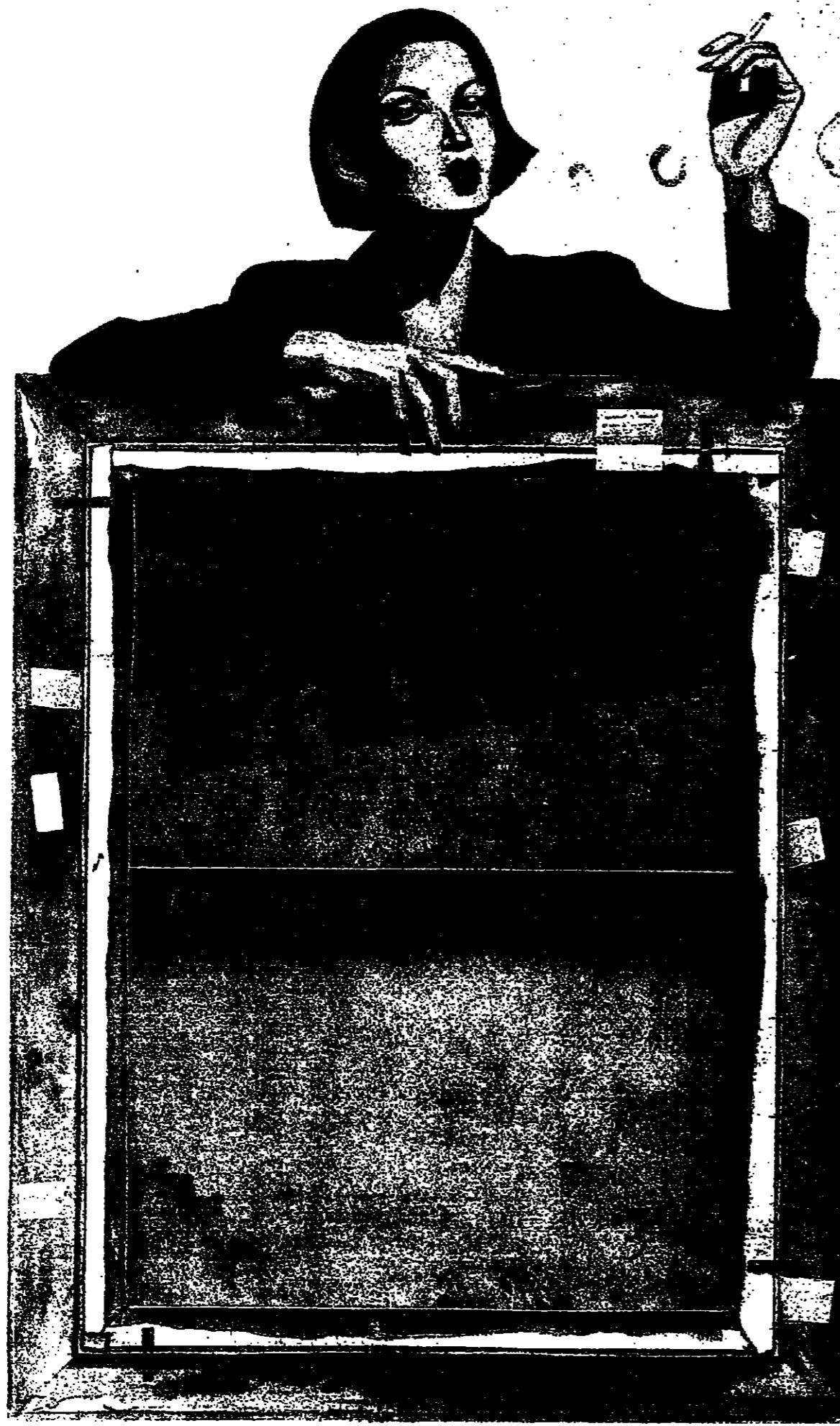
□ □ □

Until his wife rang, I hadn't heard of Robert Mallalieu. I was at Paddington Sports Club, Maida Vale. Not far, as it happens, from Little Venice. It is a private – mainly tennis – club, and is very ably managed. I was browning my legs idly when Elizabeth Mallalieu phoned.

I was glad of the distraction. I took the phone from my bag. It's an Adidas sports bag; battered, retro.

"Is that Jane Astor?"

"Yes," I replied.



This is Elizabeth Mallalieu. I want to hire an investigator. I tried Kroll Associates in London, and they suggested you."

I used to work for Kroll in Florida. Now that I live in London, Kroll sometimes do my favours. I would do the same for them if I was ever in a position to.

Elizabeth Mallalieu explained that her husband, Robert, had been murdered on May 9. The police said it was robbery. His throat had been cut and his watch stolen. It was a Michel Herbelin French-made. Stylish. Worth £1,000.

Had I seen the coverage in the papers? I said that I hadn't. The official inquiry seemed to have stalled, she said. The police appeared to have forgotten about Robert Mallalieu. I said that was impossible, but I agreed to go and see her.

□ □ □

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Joe Rogaly

Teenage terror

'Violence, partying, drugs. Such a world might have been designed to lead youngsters astray.'

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True Fiction

Passion for posting

'The American was threatened with being skewered to a tree unless he stopped his activities'

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Relaxed and repaired

'In this mood Rafter is capable of winning Wimbledon. If he does, he knows who'll be buying the beer'

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Thrill of a bridge

'It is not entirely surprising that bridges have become, quite suddenly, highly symbolic'

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Redgrave realities

'I practised fatherhood in the 1960s, and all my children despise the 1960s. They think it was a very sad decade'

Page III

whatever Jane; to support the suggestion that Zhiruvsky is connected to crime gangs. It's just media film-flam."

"Is he losing money on his gold?"

"On paper, he's down \$20m-\$22m. But he is there for the long haul. He's a seasoned investor. Clever, experienced. I haven't heard he's worried."

"Did Mallalieu have enemies?"

"Not that I know of."

"Who do you think killed him?"

"He was robbed on the street. Someone stole his watch." Adams peered into the distance, towards Windsor Castle.

"Was Mallalieu rich?"

"It depends what you mean. Robert owned 40 per cent of Brightsun, which is probably worth" – he paused and calculated – "£3.6m-ish. Just as an estimate."

"And who inherits that?"

"His wife, Elizabeth Mallalieu."

We walked back towards the grandstand.

When I got home I discovered that Paul, my assistant, had invested £50 on Starborough, the winner of the third race at Royal Ascot. We had won £275. We have an arrangement. Paul has a fine grasp of sporting form. He makes the selections. I put up the money. We are considerably in the black.

He had spent all day at his computer. I had given him Elizabeth Mallalieu's press cuttings, and told him to travel away. I am like the French: I affect to scorn the internet. But cyberspace has its uses. And Paul is not a geek, though he can browse with the best of them. He was still at his screen. I asked him how he was doing.

"They were friends. I don't know how close."

"And Zhiruvsky? He could get emotional about gold."

"Was he a close friend of Dmitri Zhiruvsky?" as suggested in the paper?"

"They were friends. I don't know how close."

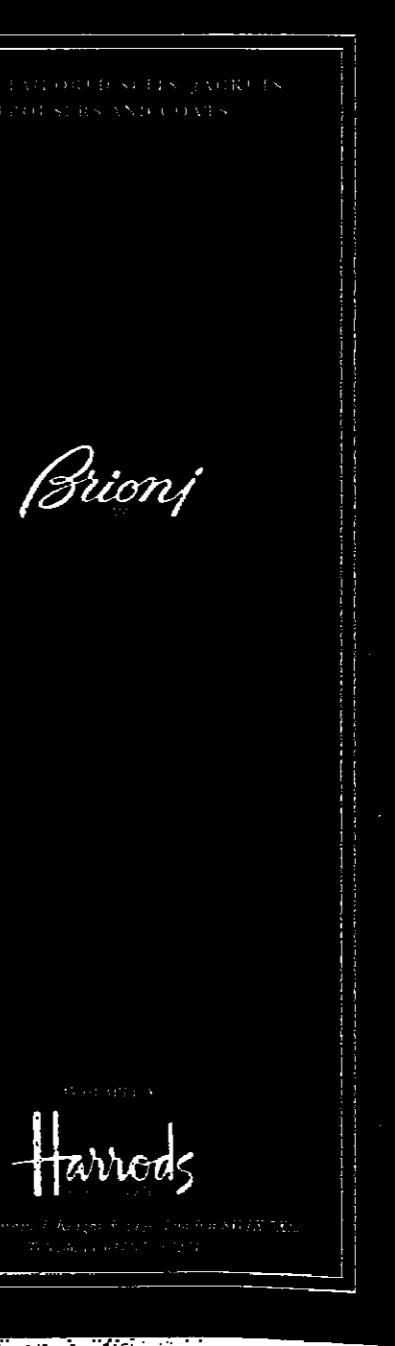
"And Zhiruvsky? He is a gold investor? He owns physical gold? At Mallalieu's suggestion? How much gold does Zhiruvsky own?"

"Approximately 23,250

ounces. Worth about \$20m."

"So Brightsun was content to trade on behalf of a man who allegedly launders funds for crime gangs in Moscow?"

"There is no evidence



Redgrave realities

'I practised fatherhood in the 1960s, and all my children despise the 1960s. They think it was a very sad decade'

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PERSPECTIVES



Divine business: Father Nicholas Wetz (centre) with Father Cenydd Mairion (left) and Father Brendan Thomas, feeding conference-goers and employees

The Nature of Things

Microscopic tools of the trade

Lasers can now be used to grasp and pull the smallest objects, says Andrew Derrington

New uses for lasers are so exotic that they seem to blur the boundaries between science and science fiction.

Nobody would be surprised to hear that a laser can pack enough punch to destroy a ballistic missile. We know that these days it is a routine matter for surgeons to use lasers to perform delicate surgery for correcting short-sighted eyes. Lasers are at the heart of everyday devices for storing and retrieving computer data, video and audio signals and for transmitting them across fibre-optic networks.

Despite this increasing versatility, even scientists find it hard to believe that lasers can be used to grasp delicate objects only a micron (a millionth of a metre) in diameter and to spin them around. However, according to Miles Padgett, of the School of Physics and Astronomy at the University of St Andrews, optical tweezers and optical spanners, as these laser-based devices are known, are already available and will be commonplace in the 21st century microscopist's tool box.

The first attempt to make optical tweezers, about 10 years ago, used two beams of light shining in opposite directions to trap a transparent sphere which reflected some of the light falling on it and refracted the rest, as would any transparent object. The forces generated on the

photons in a beam of light have momentum that will be transferred to anything that reflects (bends) the beam, or reflects it. The trick of the optical tweezers is to arrange for a particle in such a way that the transfer of momentum from the light is just enough to hold it against the pull of gravity.

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Another advantage of the optical spanner, which Padgett says may be more important than its ability to spin objects, is that it grasps objects more firmly using less energy than optical tweezers. This reduces the risk that the energy in the laser beam will damage the object being grasped.

Optical spanners and tweezers make it possible to do miniature experiments that scientists could only dream about 10 years ago. Justin Molloy of the Department of Biology at the University of York uses optical tweezers to measure how much force actin and myosin, the proteins that drive muscle contractions, generate when they burn a single molecule of fuel.

To make the measurement he stretches a strand of actin between two plastic microspheres, each of which is held by optical tweezers. By measuring how far the microspheres move against the restraining force of the optical tweezers, Molloy can calculate the force that the muscle's molecular motor generates as it kicks over. This helps him to deduce details about how the motor works.

The force involved is absolutely tiny. One interaction generates approximately one pico-Newton, which is a million millionth the weight of an apple, says Molloy. In your muscles these forces add up so that hundreds of Newtons can be produced when you lift a sack of apples.

■ The author is professor of psychology at the University of Nottingham.

Minding Your Own Business

Pilgrims' progress

Their fortunes dwindling, Belmont's monks went commercial. Clive Fewins reports

Nicholas Wetz was not at all displeased with his company's £4,200 record loss in 1996. It was slightly more than the £4,000 loss the previous year, but turnover had risen to £261,000, an increase of £130,000 on 1995.

"We were not too worried about this at Monksoft because... administrative expenses of £121,000 were more than double that of the previous year. We had scaled up the commercial life of the monastery so much that we realised we would need to employ more staff from outside the community to help the monks run our activities," says Father Wetz.

Wetz, 36, is managing director of Monksoft Ltd, the trading arm of Belmont Abbey, the Benedictine monastery that sits in 30 acres on the southern outskirts of Hereford. Monksoft offers a range of activities, from discs to bed and breakfast accommodation.

The monastery school had closed in 1994 because of falling pupil numbers and since then times have been hard for the 45-strong Roman Catholic community.

"We are entirely self-supporting here. We have a large mid-Victorian building and church to maintain, chaplaincy work in several parts of the country, as well as supporting four of our community who live permanently in Peru, and other charitable ventures," says Wetz.



"Without the school it was extremely difficult to see how we were going to make ends meet. Drastic action was needed."

In 1992, when it was clear the school would eventually have to close - feeder schools were closing and fee-paying education was in decline, according to Wetz - the monks took the decision to scale up Monksoft, the dormant limited company set up in 1988 by one of the monks, Father Mark Jabale, to trade in the software he was writing at the time.

However, because of his other duties he did not have time to continue and by 1991 Monksoft was turning over virtually nothing.

The business was revived with the aid of a £55,000 loan from the trust which controls the abbey. It has eight trustees, including Wetz and Jabale, and receives income from property and farmland it owns. A year later, there was a loss of £226 on turnover of £67,000. In 1993, there was a profit of £326 on a turnover of £22,000.

After the school closed in 1994 the trust entered into a 21-year agreement with the Herefordshire Community Health Trust to lease the

four former school boarding houses as offices. This was financed by a £1.2m loan from the National Westminster Bank, secured against the buildings.

The former refectory of the school became a restaurant, patronised at lunchtime by health trust employees as well as people staying at the abbey guest house. Bed and breakfast business was expanded by the conversion of the former girls' dormitory. Other rooms for working and conference rooms.

A programme of abbey tours was started, the religious retreat programme and religious education centre were expanded, as was the abbey shop, which sells souvenirs, religious artefacts and books. Contract printing work was undertaken in the print shop.

Last year's loss came as a bit of a shock after we had traded reasonably successfully since 1992, and actually made a profit of more than £20,000 in 1993," says Wetz.

"However, it was expected. We knew that our cost base would rise a great deal as we

had to hire a catering manager and additional staff. We had also agreed to pay an increased rent of £18,000 to our landlords, the trust. We felt we should use up the full amount of gift aid we are allowed under the law, and there was also a lot of capital

spent on the three training posts - one postulant and two novices - all the monks play a full part in the commercial life of the monastery. Their roles vary from bookshop and guesthouse manager, to retreat master, accounts clerk, printer, tours manager and site maintenance.

Wetz: "Undoubtedly we should not have been able to continue as we have done had we not, as monks, all been unpaid. However, trading as a limited company has enabled us to make reasonable gross profits before paying rent and loan money back to the trust."

"Despite last year's large loss we are now in a position to generate money to help the trust restore some of the reserves used up in the closure of the school when such costs as redundancy had to be paid to a total of 25 teaching and ancillary staff."

"Over the past seven months our sales have totalled £228,000. I am expecting a turnover of about £400,000 and profits of £20,000 by our year-end in August. We have proved this year that we can make real money."

■ *Monksoft Ltd, Belmont Abbey, Hereford HR2 9RZ; 01432 277317*

back and ask ourselves why we are here."

The activities are set against the background of a seven-day cycle of prayer and meditation that starts at 6.45am and incorporates four other short services in the working day, ending with compline at 8pm.

The catering manager and his staff took over some of the duties previously performed by monks. Out of a total community of 45, those permanently resident fluctuate between 15 and 18. The remainder of the monks are serving in parishes in the UK and overseas.

"The only way to achieve a healthy profit eventually was to employ some professional full and part-time staff," says Wetz. "This was justified in the increased turnover. As more functions - discos, dances, wedding receptions and conferences - were held here the word got around locally that, far from being closed, Belmont Abbey was very much in business."

This commercial activity inevitably leads to problems. One is the shortage of bedrooms - there are nine twin rooms and 13 singles - which means it is impossible to hold large residential conferences.

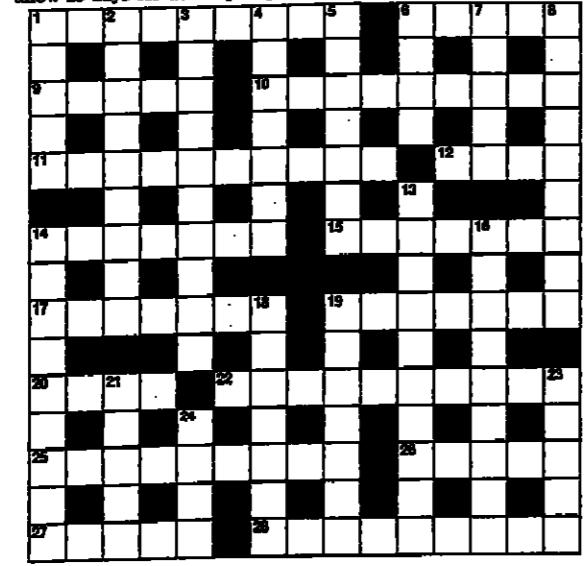
But the main cause of tension is more ethical. Wetz explains: "We charge less for religious groups than we do for commercial bookings; the hospitality manager usually points out how much income we are losing."

■ *Monksoft Ltd, Belmont Abbey, Hereford HR2 9RZ; 01432 277317*

CROSSWORD

No. 9,407 Set by DINMUTZ

A prize of a classic Pelikan Souveran 800 fountain pen for the first correct solution opened and four runner-up prizes of Pelikan M200 fountain pens. Solutions by Wednesday, July 2, to Standard Crossword, 9,407 on the envelope, to: The Financial Times, Number One Southwark Bridge, London SE1 9HT. Solution on Saturday July 5. Please allow 28 days for delivery of prizes.



PERSPECTIVES



Joe Rogaly

Teenagers – is thumping the only answer?

Discipline and repression are in favour. But young people need more than that if they are to learn how to behave

When young people become obstreperous we adults like to make a choice. We can thump them or we can seek to engage them in constructive activities. The political climate in Anglo-America favours thumping, hard. On both sides of the Atlantic we seem to be throwing ourselves into a panic about youth crime. Over the past fortnight I have heard from residents of two villages in England with the same plaintive cry – "there are boys growing up in our midst – what are we to do?"

If our villagers read, or watch TV, they have reason to quake in their boots. A scan of the Earth's media would lead any intelligent Martian to conclude that every other human adolescent is a drug addict, a thief, a mugger, a potential prostitute, possibly a

murderer. Inexplicably, reports of witchcraft and cannibalism are rare.

With this picture filling voters' minds, it is hardly surprising that legislators are competing to see who can be toughest. Last month the US House of Representatives voted overwhelmingly for a Republican bill that would have 14 and 15-year-old children prosecuted as adults, a national expression of a view taken to extremes in California, where the execution of 13-year-olds has been put forward as a subject for serious debate.

It is true that children sometimes commit shocking crimes – as in Britain when a pair of 10-year-old boys killed a two-year-old, Jamie Bulger. Thankfully, such outrages are few. There is no excuse, no case for early release from detention. Most of

us can recall accounts of other child-on-child homicides, in the US as well as in Britain. They are exceptions, isolated tragedies, not evidence of a trend. We do not have to put justice back a couple of centuries to deal with them.

Older children present a more widespread threat. Between 1985 and 1995 the number of murders committed by teenagers in the US increased by 141 per cent, to nearly 4,000 killings in the last year of that sorry decade. Preliminary figures suggest a subsequent fall-off, a sharp drop in serious violent crime overall, in line with the reduction in the teenage population. As we know, many of the victims, and assailants, were black or Hispanic, but a significant number were white.

Violent misbehaviour by

young people of all races is widely feared. One of the scarier nightmares features a "youthquake", a fresh, extra-large cohort of teenagers, by definition badly behaved, a decade or so from now.

According to President Bill Clinton, "we've got about six years to turn this juvenile crime thing around or our country is going to be living with chaos". To believe this you must accept the highest population projection offered by the US census department. Yet the middle forecast is that teenage Americans will constitute much the same proportion of the total population in 2005 and 2010 as in 1995.

Either way, there is a general sense that clamping down hard will be necessary. Thus curfews, supported by Mr Clinton, are increasingly popular in the US, from San Diego to Fort Lauderdale.

Florida. In Britain the new Labour government proposes to speed the process of young offenders through the courts, ensure effective punishments, and send children under 10 home after dark.

This may be necessary, but we should also pay attention to the strains inherent in the transition years, from 12 to 18. Where once the rites of passage may have been supervised by a mother present during the day, older children now face empty homes after school. President Clinton is aware of this. He talks of keeping classrooms open in the evenings and weekends, to clear the streets. So is New Labour, which has proposed homework clubs.

Again, institutions such as the church, the guaranteed presence of a father, membership of movements such as the scouts or

guides, are fading. In their place there is non-stop violence on screen, unsupervised partying, easily available drugs, a culture

that designates youth as a consumer group, moral relativism... you can complete the list as well as I. Such a world might be designed to lead boys and girls astray.

There is not much that governments can do to change the nature of society. But that does not mean that repression is the only way of keeping young people's behaviour within tolerable bounds. You need to influence their imaginations, attract them to sports facilities, drama and music centres, youth clubs, libraries, computer workshops, skateboard rinks, environmental projects, charity endeavours, whatever works. The best solution is likely to be local. A city

centre may respond one way, a village another.

Most House Democrats favour preventive measures alongside tough policies. So does the president. In Britain we may cite the various Labour proposals, including attempts to get young people off social security and into work. The team gathered to advise the Home Secretary on juvenile crime will focus on offenders, but it or a sister body could as well shine a light on how to prevent offence.

In short, you could say the government's philosophy is much the same as Mr Clinton's – adjusted, of course, to suit the milder, gentler, air of British social policy. Anglo-American need not choose between strict discipline and imaginative involvement. It could try both.

E-mail: joe.rogaly@ft.com



Corin Redgrave outside London's National Theatre: 'I practised fatherhood in the 1960s, and all my children despise the 1960s. They think it was a very sad decade'

Lydia van der Meer

Lunch with the FT

A feast of Redgraves

Nigel Spivey eschews small talk and gets down to family business with father and daughter actors

A flutter of Redgraves. A gush, a luvvylode of Redgraves. Theatrical prosimons generally present such a mockery of themselves that we would imagine Brinley's greatest theatrical family intolerably hitched to the thespian stereotype. But you would be wrong.

There is gravity to the Redgraves. Expecting hot air and posturings I tried, one, then another; it was a brace that tumbled straight down to earth.

First Corin, son of Michael. He materialised in the threadbare gloom of Soho's Gay Hussar, sad-eyed and serious. He had not visited the place in 25 years. I doubt its menu, decor or plumbing had changed in the meanwhile.

A waiter pumped his hand with extravagant Balkan warmth. We hopelessly surveyed the *à la carte* for what might suit an actor watching his weight. Noodles, dumplings, pancakes and potatos pressed down from all sides. We called for some Merlot to sluice down the lard.

"No interview," comments Corin in his 1995 memoir of his father. "has ever brought me anything but discomfort." How were we going to be happy here?

By feasting, as it turned out, on family sentiments. There are many stage ambitions left to Corin Redgrave at 57, including transatlantic

projects for his Moving Theatre Company; and he has just finished a run in Peter Weiss's *Moral/Sade* at London's National Theatre. Nor has his zeal for the Workers' Revolutionary party entirely faded. But over our buttered cabbage, we talked pocket Napoleons.

Is that what fathers are – petty tyrants? I asked. Are you one yourself? Were you intimidated by yours?

"What happened to small talk?" he replied. But it was a brace that tumbled straight down to earth.

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Had it been a reversal of power, then, when Redgrave senior contracted Parkinson's disease; or, indeed, when he confessed his homosexual philandering?

"No. Perhaps it remained him normal to me. But though I thought my mother over-indulged him, I inherited her unshockability."

So were you – are you – in turn an unshockable dad?

He shrugged. "Too liberal, probably. I practised fatherhood in the 1960s, and all my children despise the 1960s. They think it was a very sad decade. But you'd better ask them."

That Corin and I talked on till mid-afternoon in a half-empty Hungarian restaurant was mostly our business. An eavesdropping psychiatrist

might have enjoyed it. But two fathers getting tender about fatherhood, I realised (too late) was of no consequence to the rest of the turning world.

A repulsive dollop of chestnut purée put a temporary clamp on my own self-revelations. Corin carried on with his, in a naturally planned voice one could listen to all day. "You know," I gulped, when the wallpaper paste was shifted, "I fear I ought indeed to pursue one of the offspring. Would that be too corny?"

"Why not try?" he shrugged.

So far only one of Corin Redgrave's children has become fully professional in the acting world. I tracked her down in an aircraft hanger at Shepperton Studios in west London. Inside the hanger is the soap microcosm of the Victorian medical TV drama series *Bramwell*, of which Jemma Redgrave is the leading lady.

She shed her bustle and bounded out for an inter-shot browse at the site's own restaurant. "I don't want to pry," I said, as we hastened through the intergalactic waste strewn all over Shepperton by the making of a space epic. "But was your papa really unshockable?"

"Oh, we had rows. Monster hormones in me at the time, I expect. But yes, he was pretty non-judgmental. Whenever we saw him, that is."

When we got to sit down,

and Jemma had a crab salad

to pick at, I asked how much of a dynastic inheritance she felt upon her. Had she, for example, taken on the left-wing radicalism of father and grandfather?

"Good God, no. Absolutely not. It's something I deeply resented when I was young – the fact that Corin was always off at political meetings. But not the theatre," she continued.

"I loved to see him on stage, and I loved going

what were left of her Victorian ringlets. "If only! But acting's not that sort of world. You have to line up and audition like everyone else. In the end, you've got to cut the mustard."

"Cut the mustard?"

"You know. Deliver the goods."

In fact, Jemma does not come across as laden with genealogical self-confidence. Rather the opposite, halting and questioning: not the sort to go challenging her dad over the French for cabbage.

"I did go to drama school and all that," she sighed, pushing away a half-eaten plate, and glancing at her watch. "But, still, I'm afraid someone's going to rumble me, one day."

I said I thought she had cut quite enough mustard to prove herself.

Her eyes widened. "Have I? Do you really think so?"

Before shooting resumed in the hanger, we established that the clan of the Redgraves does unite from time to time, and with a sense of shared vocation – latterly for unshockable grandmother Rachel's 85th birthday in Ireland, for which a bus had to be hired.

Jemma has a small son, Gabriel. There are others in the wings of the next generation: Daisy, Michael, Daniel, Raphael. To envisage at least one of them on the boards in the next millennium is a feeble prophecy.

There anyway. Sounds horribly precious. I mean, I adored all of Peter Brooks' *Midsummer Night's Dream* at five years old, when my grandmother took me. All – not just the fairies.

Well, it had to be asked.

Here she was, nibbling lettuce, more or less established as an actress. She had once done Chekhov's *The Three Sisters* with aunts Lynn and Vanessa. Had the surname got her where she was?

Veheemently, she tossed



NET CALL



BAR CALL

MOVIES

19 JUNE

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30 JULY

31 JULY

1 AUGUST

2 AUGUST

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6 AUGUST

7 AUGUST

8 AUGUST

PERSPECTIVES

With both eyes on the human condition

Andrew Jack meets Abbé Pierre, the living saint of France, who was forced to retreat from the limelight of national controversy

The most trusted man in France looks exactly as you would expect him to. He has wise eyes, a high forehead, and a fluffy, white beard. His possessions – largely cerebral or religious – surround him in a single cramped room, and he is dressed in a rough-hewn brown cassock.

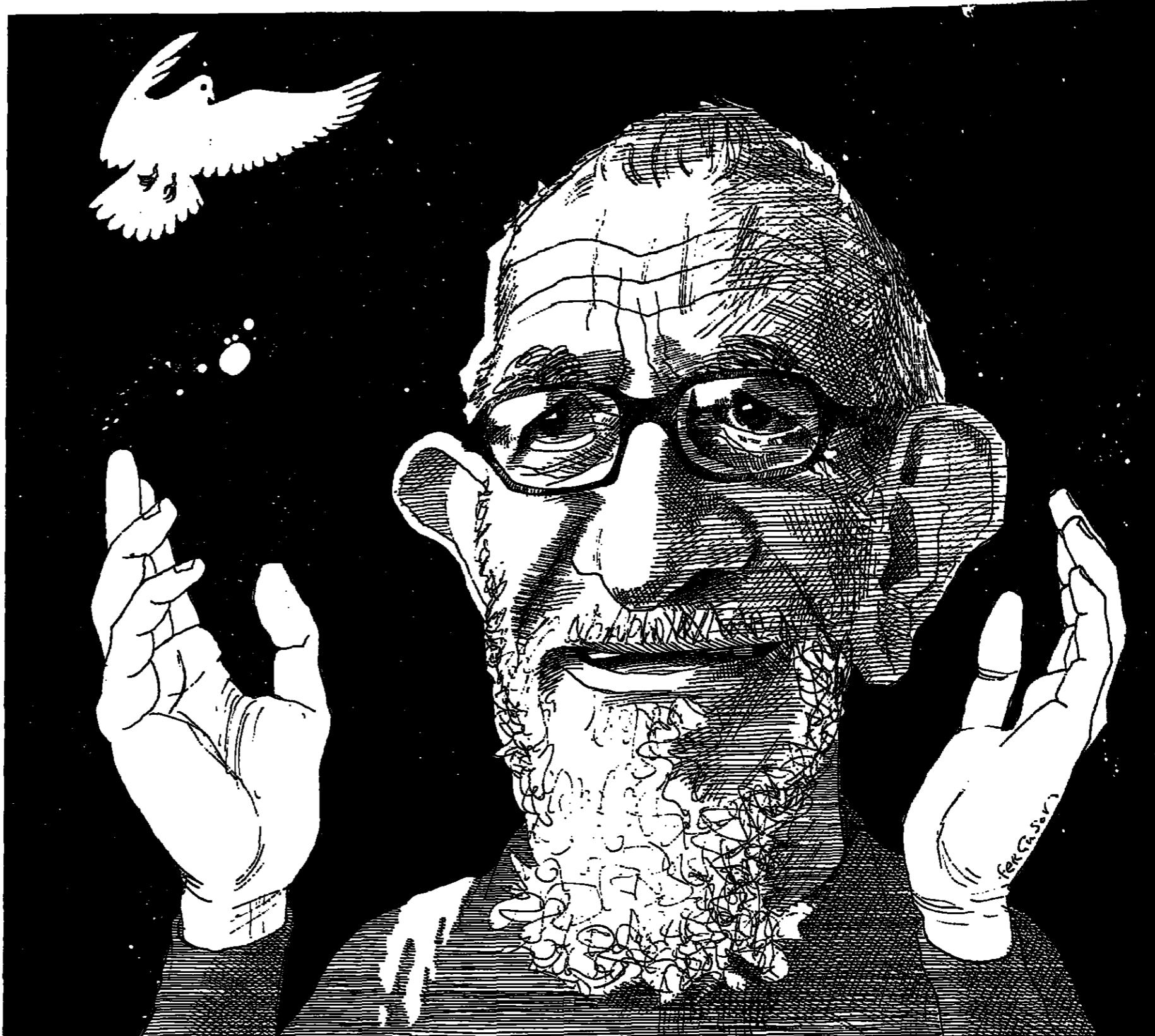
Abbé Pierre may live in a retirement home tucked away in a tiny Normandy village, but at 84 he remains intensively active: speaking out on French television to defend the rights of immigrants threatened with expulsion, or travelling

"The message is always the same. You will only find peace if you serve the poor first"

abroad in his role as the guiding light for the international humanitarian organisation Emmaüs. Even if he says he would now rather act more distantly as its "grandfather and not the stepmother".

He may have entered a Capuchin monastic order in his late teens, but Abbé Pierre is no intellectual Christian devotee who believes in a life of contemplation isolated from the world around him.

He was elected a deputy in the National Assembly after



so what is his view on the new left-wing government?

"Whoever is in charge, the same problems exist and there are unpleasant decisions to be taken," he says. "France has become one of the countries that has grown in prosperity over the last 100 years while leaving a large number on the side of the road."

He argues that the modern world is "condemned to three realities". The growing power of the media and the ability to travel rapidly means that "civilised people can no longer say 'we didn't know'" in response to crises around the world. Developed countries will no longer be

able to escape the obligation to share resources to reduce unemployment, notably by reducing working hours. And societies increasingly face "the problem of enormous free time".

He cites sadly the case of a group of youths in France who last year set light to a homeless man and killed him. "If you have no future, no hope, no job, are forced to live with your parents, and you are surrounded by concrete cities, you can only go mad," he says.

His latest projects to help tackle the problems of inner-city delinquency and despair include youth theatre, sports

events and the provision of grants to help children travel across Europe, seeing the countryside and meeting people from other countries.

But how can someone who has been exposed to so much human misery be entirely convinced about the existence of God? "We have two eyes," he replies. "You have

to have the courage to keep one open to the horrors of human crimes and natural disasters. But you have to be honest and keep the second eye open to the marvels of the world: a baby's smile, the joy of a young couple, the stars, the glaciers and the forests."

He recreates on his face the wonder he said he felt aged eight when, having been brought up in Lyon, the failure of the city's gas lamps one evening and a chance glance skywards revealed to him for the first time the beauty of the stars.

Abbé Pierre was certainly France's nearest equivalent to a living saint until about a year ago, acting as the nation's conscience and arranging meetings with top politicians on matters of moral concern.

Then in spring 1996, he found himself propelled into a debate blown out of all proportion by a press that was

restless during a period of relative inactivity. As some one who had learnt how to cultivate the media and use it for his multiple crusades – and being elevated high on a pedestal in the process – he suddenly found himself the focus of intense criticism.

His "crime" was to have written a letter supporting his friend Roger Garaudy, a French intellectual who had moved over the years from communism to Catholicism to Islam, and who in his latest incarnation had written a book liberally sprinkled with anti-Semitism and printed by an extreme right-wing publisher.

ship with help towards and empathy with the Jews.

So is his new book, *Memorial of a Believer*, even if when asked to summarise the single most important lesson it contains, he responds simply: "The message is always the same. You will only find peace if you serve the poor first."

Abbé Pierre's reputation may have given him a responsibility that he neglected, in what he admits was "an imprudent and over-hasty" effort to express himself in a single letter on a complex mix of political, religious and personal questions.

once the territory is back in the fold.

But, for Leung and others in Hong Kong's cultural community, there are dangers. "The mainland is trying to rewrite the history of Hong Kong," says the professor.

Apart from the *Opium War*, he cites artistic and archaeological studies which portray Hong Kong as a bustling community before the arrival of the British. The aim is to shed the image of "a barren island", as dismissed by Lord Palmerston, and so reduce the British contribution.

"The annals of history are evidence that Hong Kong has been Chinese since ancient times," declared the People's Daily this week, citing the 36 prefectures – one of which administered Hong Kong – established by the Emperor Qin Shihuang in 221BC. "More than 100 years of colonial rule is just a flash. Chinese blood and arteries forever joined together is history's inevitable result."

Handover through a haze of opium

John Riddings finds China marking the return of Hong Kong with patriotic films, computer games and dances

With an impassioned speech and a tantalising promise, Denton gestured towards an ornate Chinese vase. "Like the great Qing dynasty it represents, it is filled with nothing but self-importance," the *taipan* told his parliamentary audience. "One touch and it will shatter," he added, knocking the vessel to the ground. As the pieces scattered, he turned to the benches: "This is the China I offer you."

So started the 19th century Opium war, a series of one-sided skirmishes which led to Britain's acquisition of Hong Kong. At least, that is how it happened in *Opium War*, the movie, a barnstorming epic released last week to mark the territory's return after 156 years under the Union Jack flag.

The film – at \$12m, the most expensive ever produced in China – will be screened in more than 1,000 cinemas across the mainland and Hong Kong. It is the

boon town of Shenzhen, are rehearsing Opium war routines for handover extravaganzas from July 1.

This orchestration is not accidental. The Opium war provides fertile ground for China's propaganda machine

as it prepares for the transfer of sovereignty. "China's backwardness and decadence caused its defeat in the Opium war," says Xie Jin, the movie's director. While he insists he has not made propaganda, his

message echoes that of Beijing, always pleased to play the victim in international theatre.

Modern technology and the "open door" policy has at least helped China make more credible films. In the past, the cinematic sacking of the Summer Palace by British troops under Lord Elgin was played out by Chinese actors with badly glued ginger beards, as there were not enough east European diplomats to make up the cast.

As with the vase shattered on celluloid, Qing dynasty China was fragile. "That is a superficial view. The important thing is to give a true story." So far, he argues, Hong Kong people have seen a distorted picture in which the Opium war was portrayed as a trade conflict between British commercial interests and a protectionist China. His movie, he believes, is no different from other historical epics.

"Schindler's List" was about the Holocaust. But that was not considered anti-German propaganda.

That is not all it shows, nor all the purposes it serves. A cautionary tale of

corruption, it has contemporary relevance alongside Chinese president Jiang Zemin's crusade for "spiritual values". As a stick to beat the British as they had over their eastern colony, the 19th century is hard to equal. Drug dealers have never been fashionable.

Xie insists he does not want to thumb the British. "That is a superficial view. The important thing is to give a true story." So far, he argues, Hong Kong people have seen a distorted picture in which the Opium war was portrayed as a trade conflict between British commercial interests and a protectionist China. His movie, he believes, is no different from other historical epics.

"Schindler's List" was about the Holocaust. But that was not considered anti-German propaganda.

Although the director

criticises Britain for failing to acknowledge its 19th century guilt, comparing its stance with Japan's after the second world war, Xie says his film shows "certain morally upright aspects of the British".

Opium War, the movie, is the most expensive film China has produced

He cites the parliamentary debate, and the narrow margin in favour of war. The film is also careful to avoid specific targets. Instead of Jardine or Matheson still operating in the colony, he picks fictional names for the

opium traders of the time. Such careful handling reflects a desire by Xie, and by China, to stir patriotic sentiment without prompting an anti-British backlash. Like opium, nationalistic fervour requires careful handling. Beijing is anxious to avoid undermining international confidence in its newly acquired business city.

For T. K. Leung, professor of comparative literature at Hong Kong University, there is little to worry about on that score. "Hong Kong people are too cynical to accept propaganda," he says.

Similarly, Martin Lee, leader of the Democratic party, sees little chance of an anti-British backlash. He believes that partly reflects Hong Kong's role as a refuge from the mainland and fears that Beijing's heavy hand will become more apparent

FT Weekend Competitions

For eight weeks from today, the solstice, we are inviting you to play a role in the most important seasonal sporting events, whether it be improving the rules of cricket or ensuring that someone other than a big server wins Wimbledon.

Each week we will be offering prizes and at the end of the two months, the weekly winners, plus entrants who have displayed consistent wit and originality, will be eligible for the competition to end

all competitions, based on *Fake*, Michael Thompson-Noel's summer mystery. At the end of it all, two winners will each receive two business class return tickets for air travel within Europe, courtesy of Lufthansa.

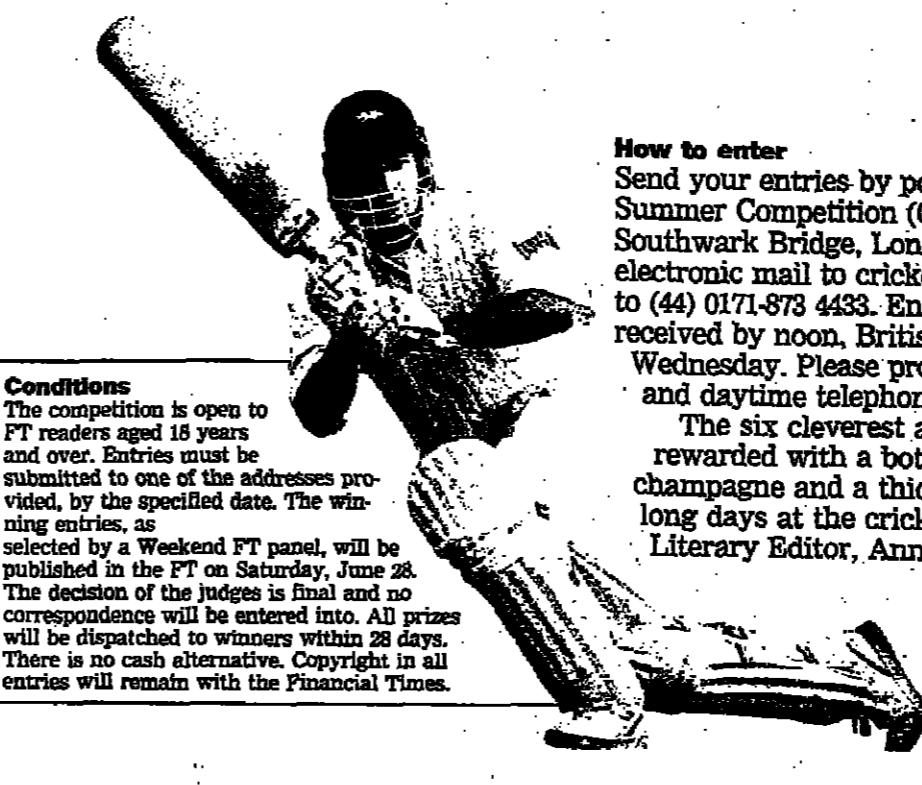
COMPETITION ONE: Cricket
Cricket is a fascinating game, but the complexity of its rules denies non-playing nations access to the subtle and sustained pleasures of a five-day Test match. Multi-coloured clothes have been tried, pop songs accompany players to the pitch in the Antipodes, and there is talk of matches next year at Disneyworld. But what single rule change or glorious gimmick would make cricket the most popular game in the world?

Conditions
The competition is open to FT readers aged 18 years and over. Entries must be submitted to one of the addresses provided, by the specified date. The winning entries, as selected by a Weekend FT panel, will be published in the FT on Saturday, June 28.

The decision of the judges is final and no correspondence will be entered into. All prizes will be dispatched to winners within 28 days. There is no cash alternative. Copyright in all entries will remain with the Financial Times.

How to enter
Send your entries by post to Weekend FT, Summer Competition (Cricket), One Southwark Bridge, London SE1 9HL, or by electronic mail to cricket@ft.com or by Fax to (44) 0171-873 4433. Entries must be received by noon, British Summer Time, on Wednesday. Please provide name, address and daytime telephone number.

The six cleverest answers will be rewarded with a bottle of pink champagne and a thick book, suitable for long days at the cricket, chosen by our Literary Editor, Annalena McAfee.



BOOKS

Plain facts – the selective truth

Deconstruction may be all the rage, but history provides the raw material, argues Nigel Spivey

Eric Hobsbawm believes in facts. That an esteemed historian should have to declare this belief may seem absurd. But in 1982 Cambridge University conferred an honorary degree upon the magus of "deconstruction", Jacques Derrida: a fair sign, then, that facts are academically out of fashion.

There will be a time when teachers of history are expected once more to scratch on their blackboards the order of battle at Trafalgar. But not yet, while the truth is still deemed as just another "construct".

Though he does not admit it, Hobsbawm must concede some virtue in the trend to deconstruct. He himself has served as high priest of deconstructing the "traditions" of modern nationalism, and revealing them for the partisan fabrications they are. As he points out here, "History is the raw material for nationalist or ethnic or fundamentalist ideologies, as poppies are the raw material for heroin addiction".

According to Hobsbawm's view of the historian's vocation, however, absolute truths can be established in the record of the past. For him, the historian is a detective who burrows for evidence overlooked, forgotten, or deliberately obscured. This evidence constitutes facts. It can be forensically tested, and ordered into figures, statistics, dates. Then such close attention can be capped by the synoptic vision of the historian as interpreter – whose task it is to tell us why our world transformed as it did.

Seems reasonable enough. But in this collection of essays and lectures covering 30 years, Hobsbawm has constantly to keep his guard up on the "supremacy of evidence" issue. Throughout that period have lurked those who would doggedly target his premises. Derrida himself has recently spoken of "archive fever" (*mal d'archive*), and

explored the presuppositions of information storage in societies past and present. In archive assemblage, selection processes are never far away, giving Derrida the angle of subjectivity he needs for critique.

It is a weakness of Hobsbawm's stance that he never seriously

engages with his deconstructionist opponents here, preferring the common-sense brush-off ("Rome defeated and destroyed Carthage in the Punic Wars, not the other way round"). This knockabout style may draw cheers in the lecture-hall; it fails to prevail upon reflection. In the case of Carthage, for instance, a deconstructionist might reasonably point out that our received wisdom about the Punic Wars comes chiefly from Roman or

pro-Roman writers. But perhaps an 84-year-old master of his profession is allowed a *crit de cœur*. And it is not as if Hobsbawm would conceal his own ideological basis. His membership of the Communist Party was no secret; his Marxist motivation for writing history has always been admitted. As a Marxist, he must necessarily create his history from economic materialism – "empirically given circumstances".

As Marx phrased it – and chart the progress of the class struggle.

That is his grand narrative aim. Its sweep may be gauged by the following catalogue of factors invoked as materialist explanations of "massive social and cultural transformations" since 1850: the decline of the peasantry; crisis in the Catholic church; rock'n'roll; collapse of Communism; break-up of western family patterns; bankruptcy of avant-garde movement; scientific fascination with Big Bangs; decline of puritan work-ethic and parliamentary govern-

ment; and (wait for it) "the unusually full coverage of the arts in all newspapers, the London Financial Times".

This is what the history-reading public wants: decipherment, shows of lateral thinking, data analysis. The resemblance Hobsbawm mentions on several occasions between history and the law-courts is telling. Mysteries remain from the past, and it is the historian's duty to solve them. Very few of us would dismiss history as a fool's obsession with "the rear-mirror view" (as Bill Gates and other futurists do); nor can many accept Francis Fukuyama's insistence that the twin triumphs of capitalism and democracy have brought an end to history. We need a comprehensible genealogy of ourselves. Though Hobsbawm has been killed a "radical", and slips easily into finger-wagging mode, he is essentially in the business of giving us what we crave: self-knowledge and the comforting certitude of "facts".



Self-portrait: Turner, the man, was a muddle of contradictions

Secrets from the studio

Susan Moore reviews two new biographies of J.M.W. Turner

Rather like the animals going into the Ark, biographers of J.M.W. Turner seem to come two by two. There were Cosmo Monkhouse and P.G. Hamerton in 1875; Falk and Finberg followed in 1938/39 and now, after a further 60 years, Anthony Bailey and James Hamilton step forward with *Lives*.

The challenge of Turner as a subject is immense – and not only because he is one of the few British artists with a claim to genius. Turner the man is an enigma, a muddle of contradictions, and little documentation is left. The correspondence of his three great friendships – with Henry Scott Trimmer, patrons Walker Fawkes and Lord Egremont – was destroyed by their descendants. What papers survived the mice and mildew of the artist's Queen Anne Street gallery appear to have been burnt – as, famously, were the "grossly obscene" drawings which Ruskin, his self-appointed champion, encountered as executor.

Added to this is Turner's own obsessive secrecy. As a respectable Royal Academician, he had a lot to be discreet about – his humble Covent Garden barber-shop home presided over by a mother of "ungovernable temper" whom he left to rot in the madhouse of Bedlam; various unorthodox domestic arrangements and two natural daughters.

Hardly a soul knew of the double life of his declining years, living as the apparently penurious "Admiral" Booth down on the river at World's End in Chelsea with the illiterate landlady he had brought up to town from Margate.

It is little wonder than Walter Thornbury, Turner's contemporary and first biographer – and a journalist who recognised a good story when he saw one – filled in the biographical gaps with gossip and a generous helping of fictional colour.

Bailey and Hamilton have striven to unravel fact and life. Both have researched their subject thoroughly, uncovering some new facts, synthesising the old, and making good use of the scribbled notes in the sketchbooks – of names and dates, itineraries (and more intimate liaisons, income and expenditure, lines of poetry, even medical treatments).

Hamilton paints a plausible picture of Turner as a driven man: hardworking, ambitious, confident of his abilities and fully aware of how he had to proceed to raise himself in the world. He sought not only professional recognition, which came early, but material success. He proved a canny self-publicist and a hard-headed businessman, his financial acumen also serving his beloved Royal Academy. When he died in 1851, his estate was worth the equivalent today of around £25.5m. Far less convincing is the

author's attempt to disprove Turner's legendary meanness. Of course he was capable of acts of generosity (and kindness), but his private miserliness contrasts bleakly with his public munificence. For him, charity very definitely did not start at home, wherever that might be. Mrs Booth told the artist David Roberts that the only money she ever had received from Turner during the 18 years they lived together was "three half crowns she found in his pocket after death, black she says with being so long in his pocket".

While his will set aside £1,000 for erecting a monument to himself in St Paul's Cathedral, annuities to his mistresses and daughters were pitiful. Even his father, who ended up as studio assistant, gardener, chief cook and bottle-washer, was allowed to walk the 11 miles to the gallery and back each day, although over 90.

As an art historian, Hamilton inevitably looks to Turners

TURNER: A LIFE
by James Hamilton
Hodder & Stoughton £25.
320 pages

STANDING IN THE SUN: A LIFE OF J.M.W. TURNER
by Anthony Bailey
Sinclair-Stevenson £25.
320 pages

The Battle of Trafalgar by William Clarkson Stanfield: historical fact or subjective interpretation?

The view from Europe

Lionel Barber welcomes an attempt to clarify the Euro-debate

Europe intrudes in our daily lives in a way unimaginable a decade ago. Put aside those fanciful tabloid stories about the straight banana or the standard Euro-condom; the truth is more arresting.

Governments can stand or fall on their European policy. Co-operation among the 15 member states of the European Union has become a matter of habit. Ministers jet in and out of Brussels every week. Hundreds of meetings take place every day on issues ranging from rum import quotas for the Caribbean, reconstruction in Bosnia, or sex discrimination in the workplace.

This is the routine stuff. In the next two years, the EU is poised to embark on two historic projects: the launch of a single currency on January 1, 1999, and enlargement of the Union to the former

communist countries of central and eastern Europe.

The paradox about the EU is that it has developed so far, so fast without its workings being properly understood by the public. As the authors of this timely volume point out, the union's institutions and decision-making appear to outsiders like an impenetrable labyrinth. The same can be said of much of the academic literature.

Peter Gowan, principal lecturer in European politics at the University of North London, and Perry Anderson, professor of History at UCLA in California, have made a brave attempt to break with tradition. This collection of

essays includes contributions from the Right and the Left, from Eurosceptics and Euro-philes, and, more important, from across Europe.

THE QUESTION OF EUROPE
edited by Peter Gowan and Perry Anderson
Verso £40, 309 pages

Readers will enjoy Conor Cruise O'Brien's elegant exposition of the view that Europe is a cockpit of national rivalries, with the skillful French rider trying to control the powerful German

horse. Karl Lamers, the German CDU foreign policy guru, reproduces his provocative 1994 paper calling for France and Germany to create an elite EU grouping built around monetary union. Tommaso Padoa-Schioppa, one of the intellectual godfathers of the Euro project, offers a reasonable argument that Euro membership is within Italy's reach.

Left-wing government in France has advanced. The Bundesbank, too, has pressed the case for a genuine "political union" to accompany Euro, but the meagre results of this week's EU summit will underline how far the federalists have lost ground to the defenders of the nation state.

Of course, if the single currency goes ahead on schedule and proves workable, it may well be the catalyst for further political integration.

Certainly, this is Chancellor Kohl's bet.

Alan Milward argues powerfully that the surrender of sovereignty has been a choice of national governments ever since the foun-

ding treaty of Rome, in effect "rescuing" the nation state after the second world war, but he warns that once governments cede "core" areas of national sovereignty – like the control over money – success will depend on a clear analysis of costs and benefits.

Here again we come back to the question of public opinion. Have the French and German political elites, whose commitment to Euro is beyond doubt, been honest about the risks the project entails? Is Euro the right priority, or is Timothy Garden Ash right in arguing that consolidating the peace in central and eastern Europe is more important?

This book is occasionally uneven, and not always accessible to ordinary readers. But it is a welcome antidote to the ignorance and prejudice which often characterise the Euro-debate.

resurrecting the unfashionable art of the essayist, "to convey the essential facts of a man's life and to explore the nature of his gifts". In doing so, he allows one to glimpse a little more of him, and of his moments of self-doubt, than he ever did before.

Whereas his other works dazzled one with their seemingly effortless virtuosity, the peacock-bold brilliance of their prose style and the remarkable acuity of their judgments (when Tynan wrote that Dietrich "had sex but no particular gender", or that Charles Laughton resembles "a fish standing on its tail"), or that Alec Guinness brings to mind the image of a "slightly tipsy monk" whose demeanour implies "the presence of little fixed ideas gambolling about behind the deferential mask of normality", one really did see through sharper eyes.

Show People's appeal is more subtle and suggestive. It had never been difficult to admire Tynan's ability as a "literary sprinter", never seems entirely sure of how best to structure each piece, finding himself, as he puts it in his foreword, aiming for something that had neither "the comprehensive detail of a biography" nor "the epigrammatic brevity of a thumbnail sketch", but still managed, through

Rereading/Graham McCann

A critic bares his soul

life explained to him by a classics scholar. "He's out of touch with the real world", grumbled Carson after the professor had departed, provoking the rhetorical question from Tynan: "By what criteria can Carson's world be said to be closer to reality than Aristotle's?"

Not many of Tynan's successors would think of posing such a question, and fewer still, one suspects, would know how to answer it.

The extraordinary chapter on the silent screen star Louise Brooks is memorable for another reason. Tynan had been infatuated with her screen persona ever since he saw her in G.W. Pabst's classic *Pandora's Box* (recording in his journal that she was "the only star actress I can imagine either being enslaved by or wanting to enslave"), but he had assumed that she was long dead. A chance sighting of

one of her movies on television, however, prompted him to make some inquiries. He discovered that she was still alive, 71 years old, virtually bedridden with degenerative osteoarthritis of the hip, living the life of a recluse in a tiny two-room apartment in Rochester. What followed sounds like a cross between *Sunset Boulevard* and *The*

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BOOKS

The *Memory Wars* is a compilation of two essays which appeared originally in *The New York Review of Books*. "The Unknown Freud" dating from 1992, ostensibly a review of James L. Rices's *Freud's Russia*, is in fact an extended review of new material on Freud that has appeared since the late 1970s. This material provides an account of Freud that is seriously at odds with the widely touted image of benevolent sage. "The Revenge of the Repressed", published in 1994, addresses issues raised by instances of apparent recovery of long lost memories involving childhood sexual abuse.

Both essays are damning and echo the sentiments of Sir Peter Medawar that psychoanalysis constitutes the greatest intellectual con job of the 20th century. The essays generated an unprecedented level of correspondence, mainly hostile, some of which is reproduced here. Even the most generous reading of the latter confirms the worst fears, raised by Crews, concerning the scientific credentials of the psychoanalytic movement.

Freudian psychoanalysis presents us with a theory of mind, an account of the genesis of mental illness and a method of psychological treatment. Its rapid spread to become the dominant idiom for discussion of personality and human relations is often assumed to be sufficient vindication of its central claims. This rapid propagation led anthropologist Ernest Gellner to comment that there was nothing like it since the spread of the potato. We need to remind ourselves that this century has been fertile soil for a multitude of all-embracing ideologies that have offered their own proprietary versions of salvation.

"The Unknown Freud" reveals that Freud was susceptible to fitting facts to theory. Nowadays this would be tantamount to scientific fraud. Freud also displayed a cruel disregard for his clients. Take the case of his patient Emma Eckstein, operated upon by his crackpot friend Wilhelm Fliess for "nasal reflex neurosis". Unfortunately, Fliess left a half-metre of gauze in her nose resulting in a foul and bloody discharge which the ever astute Freud subsequently attributed to her "bleeding for love" of himself. In this light, it is difficult to explain how Freud has escaped the intellectual bashing that has befallen someone like Sir Cyril Burt (who may or may not have fabricated his genetic data on inheritance).

The most famous cure in psychoanalytic lore is the case of Sergei Pankeev, known as the Wolf Man. This case is to Freud as Lazarus is to Jesus. It



Where repression lies, suggestion is never far behind: Richard Boone and Eleanor Parker in the 1967 film, "Lizzie".

Heroes and geniuses

At the beginning of this century Ludwig Boltzmann told his physics students that the new science of aviation needed recruits who were both geniuses and heroes. He was right: it took heroism to risk one's neck in the flimsy craft that first ventured the skies, and it required genius to discover the principles of aerodynamics. But within a few years aviation had become the occupation of ordinary mortals, who, as the "Brave Aviator" lyric informs us, understood twice iota and the maximum angle of glide as well as any physicist.

Boltzmann's remark does, however, apply more generally. Scientists truly are heroes and geniuses - often quiet heroes and unsung geniuses, but their achievements in the last four centuries have been breathtaking. When religion's tyranny over intellect was broken by the Renaissance, mankind was free to see the world differently. Galileo's forebears hymned Providence for supplying the moon to light the night, but he trained his telescope on that satellite instead, and turned the world upside down.

What is heroic about science is the range of new possibilities it offers. Under its scrutiny the familiar world metamorphoses into a cloud of equations, which utterly reconstruct our thinking. The result is beautiful and powerful; in very many ways it works to our great good, while in others it threatens to destroy us. Such is the Faustian contract for knowledge.

The current century is incomparably the greatest in the history of science, and its leaders are truly heroes and geniuses. Richard Brennan gives us brief intellectual biographies of some of them, devoting a chapter each to Einstein, Max Planck, Ernest Rutherford, Niels Bohr and Werner Heisenberg, followed by the much more recent figures of Richard Feynman and Murray Gell-Mann. Although the biographies are exceedingly sketchy, they preserve some amusing anecdotes and do not shrink from uncomfortable questions, especially about the equivocal position in Nazi Germany of Max Planck and Werner Heisenberg.

Brennan shines best in his account of ideas. He has a knack for explaining difficult technicalities simply. His essays give a useful summary of 20th-century science, bringing it almost up to date with the discovery of the top quark at the world's

most powerful particle accelerator, the Tevatron at Fermilab. A quark is an elementary nuclear particle; it comes in six types or flavours, of which the top flavour is immensely hard to observe. True to form, it was seen for a trillionth of a second in the fireworks of matter-antimatter collisions in the Tevatron, bringing further vindication to the work that won Gell-Mann his Nobel Prize. (Asked to comment on the award, Gell-Mann parodied Newton's famous remark, "If I have seen further than other men, it is because I stood on the shoulders of giants", by saying, "If I have seen further than other men, it is because I am surrounded by dwarves". Brennan describes this as symptomatic of severe charm deficiency.)

The earlier giants of 20th-

HEISENBERG PROBABLY SLEPT HERE: THE LIFE, TIMES AND IDEAS OF THE GREAT PHYSICISTS OF THE 20TH CENTURY
by Richard P. Brennan

John Wiley £17.99, 274 pages

century science are better known. Einstein's private life has become public property; Rutherford's legendary bluff good nature has so far survived the biographers. The pale cast of suspicion falls on Planck and Heisenberg because they remained in Germany during the war, the latter to help build the Nazi atom bomb or, according to some, to slow progress towards it. Brennan recounts the famous meeting with Bohr in 1941, at which Bohr says, Heisenberg tried to persuade him to join the Nazi war effort. Bohr ever afterwards shunned him. As Planck: his son was executed for aiding an assassination attempt upon Hitler.

It is remarkable that the men sketched by Brennan either had unusual early educations, being self-taught in crucial respects, or, if not, came from academic families. Planck and Bohr fall into the latter category, the rest into the former except for Gell-Mann, a child-prodigy who studied physics at Yale because his father forced him to, whereupon he fell in love with it and became a Nobel laureate. I doubt he represents an example for any other fond parents to follow.

A.C. Grayling

The great intellectual con

Self-perpetuation has been psychoanalysis's only achievement, argues Raymond J. Dolan

derives its name from Pankeev's dream of white wolves sitting in a tree outside his window. This Freud interpreted as a symbolic disguise for a partially recovered memory of seeing his parents copulate, doggy-style, when Pankeev was at the impressionable age of one. Pankeev's analysis has been trumpeted as both a cure and a vindication of the central assumptions of psychoanalysis. However, when interviewed by an Austrian journalist in the late 1970s Pankeev admitted to having lied lonely and tortured existence. In his own words, "the whole thing looks like a catastrophe. I am in the same state as when I first came to Freud, and Freud is no more". Echoes here of Karl Kraus's satirical comment that psychoanalysis had become the very illness which it claimed to cure.

A central plank in Freudian theory is the concept of repression. At its simplest

this refers to a psychological mechanism by which unpalatable ideas, impulses and memories can be shielded from conscious awareness. It is contended that the unconscious mind can be both willful and devious in finding expression for repressed material. The return of the repressed memory may find expression in the symbolic guise of dreams or as neurotic manifestations.

So-called recovered memory syndrome, the subject of the second of Crews's compelling essays, involved repressed memories from childhood reappearing uncensored and undisguised in adulthood. The common theme of these recovered memories is alleged early childhood sexual abuse. Crews points out that psychoanalysis or psychotherapy provide the common milieu for recovery of these types of memory. We are also left in no doubt that therapists who believe in the

phenomenon are more likely to elicit these repressed memories. In other words where repression lies, suggestion is never far behind. The ramifications of recovered memories are disturbing in the extreme, and none more so in the case of Eileen Lipsker. In 1989, during her therapy, she recovered a 20-year-old memory involving the vivid recollection of her father, in her presence, raping and murdering her eight-year-old best-friend. Her father was subsequently brought to trial and, despite no other evidence, now languishes in prison with a life sentence.

This account also highlights the inordinate influence of expert witnesses,

within the psychotherapy fraternity, who played a crucial

role in convincing the jury that Eileen Lipsker's account was entirely believable. Many of these experts believe, on the sole basis of their anecdotal clinical experience, that recovery of autobiographical fact from as early as the first year of life is possible. Yet empirical research clearly demonstrates that memory is a psychological process prone to editing, interpolation as well as contamination by subsequent events. It is also evident that the very neural machinery necessary for autobiographical memory is not in place until much later than the first few years of childhood. Somehow juries, perhaps themselves contaminated by the climate of opinion created by psychoanalysis, seem willing to be persuaded by strongly held beliefs rather than empirical fact.

■ Raymond J. Dolan is Professor of Neurosurgery and Wellcome Senior Fellow at the Institute of Neurology, London.

Free spirit in a chaotic milieu

Jackie Wullschlager on a Life of the most charming and independent member of the Bloomsbury set

In 1967 Duncan Grant asked, "Shall I be arrested?" when Michael Holroyd's life of Lytton Strachey made their homosexual affair public and put Bloomsbury on the cultural map. But he was not arrested: instead he became a Bloomsbury icon, famous among people who could not recognise one of his paintings and the recipient of fan letters like the one from a colonel in Barbados who toasted him in champagne because he was "by far my favourite character in Holroyd's book".

Thirty years on, Grant's reputation as a painter is still hitched to the change in critical fortunes of Bloomsbury, and his historical status is uncertain, though his popular appeal as the funniest member of the group is indisputable. This major new life assesses him as an independent artist and a wayward, original man operating beyond any milieu. It is a biography in the intimate, generous comic Holroyd vein, and a marvellous companion piece to Spalding's Life of Vanessa Bell (1983). Grant's partner and artistic collaborator.

Grant's life almost spanned a century and, with barely an eyebrow raised beneath his floppy straw hat, he adapted to the changes which with hindsight seem momentous. In the 1880s, he grew up in imperial India among memsahibs and ayahs and attended a Victoria public school. After 1910, he stood at the heart of

British modernism which developed from Roger Fry's post-impressionist exhibition, and he cavorted around London dressed in Gauguin costumes. A friend of Matisse and Picasso, he showed an awareness of European trends as well as an elegance and decorative fluency that made him the leading British painter between the wars.

Meanwhile his ménage with Vanessa Bell at Charleston farmouse,

which ignored convention of marriage and money, generated a lasting creative union - a contrast both to the Victorian repression with which he had grown up and to the self-indulgent make-ups and break-ups that characterised the rest of Bloomsbury. By the end of his life, he presided at 90 over another sort of Charleston, where cannibals grew in the garden and groups of young men cared for him and took him along to Gay Liberation meetings.

Through it all, as this biography triumphantly shows, he remained himself devoted to his art, indifferent to fame, free from self-obsession, mercurial, elusive, charming, "incorruptibly pure", as friends described him. Around him reigned the emotional havoc of Bloomsbury. His lovers included his cousin James



Duncan Grant: indifferent to fame, he became an icon

and Lytton Strachey, Maynard Keynes, who gave him an annuity in gratitude for youthful embraces, and Adrian Stephen, who introduced him to his sisters Vanessa and Virginia. He was exceptionally attractive to women - "you were like a beautiful but rather faded moth, the other day, after your night's debauch among the red-hot poker and passion flowers of Hampstead", says Virginia Woolf here; for Vanessa ("my love was not repulsed, I fear it was not even noticed"), Duncan was a life-long love. They had a daughter, Angelica, born at the height of Duncan's affair with David Garnett. Both men were in attendance for the birth; Garnett vowed to marry the baby, and 20 years later did so.

A grim coda to this tale is the inability of the sons and daughters of Bloomsbury to liberate themselves from their "liberated" parents. "You'd think they were living under the shadow of the Pyramid. Aren't they ever bored of celebrating their ancestors?" asked Grant's granddaughter Amoryllis in 1968, 70 years after Virginia and Vanessa had escaped to Gordon Square from the dead weight of Leslie Stephen and the *Victorian Dictionary of National Biography*. But as for her great-aunt, the ghosts were too much, and in 1973, Amoryllis, too, drowned herself.

Neither sensationalist nor judgmental, Spalding wades through this mess with the

Fiction/Michael Pollard Empires lost

On clear mornings, it can be glimpsed in the distance - "Red China", as they used to call it - but none of them have actually been there, for "what was the point in going to China?" And how, for that matter, does "the Chinese take-away", the imminent handover of Hong Kong to the Chinese, concern them?

"They" are the English

colonial set - Betty Mullard

and her son Bunt, for whom

the fog-chocked bluff above

the Peak Fire Station is Little Britain, Forever

England, the last outpost of

an empire on which no-one

is prepared to admit that it

was long ago set.

Far more than the colony

itself, they are an historical

curiosity, preserved like

living flies in the post-imperial

amber, snug in the knowl-

edge that they are "gweilo"

(foreign) and hence able to

despise the locals with im-

peccacy.

For Betty, the native popu-

lance have always been

"Chinky-Chonks". Monty,

the family solicitor, is de-

emed to be trustworthy

because he is a "Jew-Boy".

The white western liberal

habit of denying racial "oth-

erness" by turning on its

head in a glorious exposé.

With her forthright expres-

sions of racist stereotype,

Betty reveals that embar-

rassed reticence unwittingly

asserts the very stereoty-

pe it seeks to avoid.

For Bunt, Hong Kong-born

though, crucially, of a dif-

ferent generation, the

reverse attaches. Forty-

three-years-old and balding,

he can relieve himself in the

"blue hotels", or carry on an

uncomplicated liaison with

Charlote's memory of

Proust playing tennis at

Neilly, for instance, which

is a whiff about it of Debussy's melancholy Jeux.

Makine writes with such

conviction that, at times,

the reader shares the nar-

ator's "confused rage"

against "the useless seren-

ity of [Charlotte's] French uni-

verse".

It is a rage against "the useless refinement of that imaginary past", which indeed seems useless when balanced against the horrors of the Stalinist period. His notion of "a pitiless, beauti-
ful, absurd, unique Russia... pitted against the rest of the world by its sombre destiny" is at once what Russia, in its own eyes, has always been, and its own - less refined - "imaginary past".

series of closets which, as

they open, render Bunt pro-

gressively more bewildered

and insecure. Everyone

seems to be connected with

the sinister Mr Hung, whose

too perfect English and origi-

nal mark him out as a baddie

from the start.

Theroux's trawl through

the twilight days of the last

colony is celebratory, and

valedictory. It is an outsid-

er's inside view, at once

acute and questioning -

Heroes and
geniuses

Future, past and present meet in Venice

William Packer
sifts through the
pretension at the
1997 Biennale

The Venice Biennale, its exhibitions ready and its pavilions half-built, opened last week after the usual crowded days of press-views and receptions. Only nine months ago, this Biennale was not supposed to happen until 1998. It did not finally get the go-ahead until well into the New Year, so chaos might have been all we could reasonably have expected. That the Biennale is as it is, after barely five months in preparation against the usual 18, is something of a miracle.

Larger than ever, with 58 participating nations and a third-world presence stronger than ever, the Biennale this time seems quieter, more low key than usual, and more coherent and assimilable. And as always, among the dross and pretension, the inflated reputations and the simply awful, there will be enough of interest, perhaps of beauty, to make us glad we came.

But then there is coherency and coherency. The Italian critic Germano Celant is the general curator of this Biennale and, with an international team of advisers in train, responsible for the central exhibition.

Taking *Future, Past* as his theme, he has brought together the work of 71 artists which he has arranged within three loosely defined categories - the 1960s/70s, which he gives as the encounter between Europe and America; the 1970s/80s, the osmosis between male and female, whatever that means; and the 1980s/90s, the discovery of multiculturalism.

In giving this farago a further gloss, Celant tells us that, as a *soi-disant* historian of contemporary art, he believes "history is written and rewritten continuously from one day to the next... Its meaning is simple, the past is my future and my future is my past; these two meet in the centre, which is the present." So that's quite clear then.

With, for the second Biennale running, the *Aperto* mish-mash of amid, Tony Cragg's amorphous lumps, Jan Dibbets' teasing photographic perspectives, and the elegantly relaxed calligraphy of Brice Marden's large new paintings.

But for the most part what we



'El Tango' by Robert Colescott in the US pavilion: one of the few paintings on show in the Biennale

get is a predictable view, sometimes mildly entertaining, more often tedious and sometimes downright offensive, across current curatorial and market fashion. There is a lot of installation and video, with which one would have little quarrel were the quality higher and so much of painting and sculpture excluded. The inference is inescapable that these last are

somewhat no longer, pernicious word, relevant.

Here instead we have Marine Abramovic portentously performing on a heap of putrefying bones, in crass evocation of Croatia, and winning a *Premio Internazionale* into the bargain. Here are Vanessa Beecroft's models, all too evidently flesh and blood, flitting themselves in nothing more than a *cache-seize* and a pair of high heels, to make voyeurs of us all. Ah, but don't we miss the irony of it all? No, we get the irony all right, but it is still gratuitous, cheap, and offensive.

And now we find that Douglas Gordon, he of last year's Turner Prize, has won a *Premio 2000*, one of three for an artist under 40. His wit has been only to appropriate the account, well enough known, of a French doctor's enquiry into the continued sentience of a criminal's severed head. He waited by the basket beneath the guillotine for it to fall, and spoke to it for several seconds, 25 or 30, as the eyelids flickered and then closed. So Gordon has us wait in a darkened room for this text to flash upon the wall, allowing us but half a minute to read it before all goes dark

again. For this pseudo-profound, so trite and obvious, the distinguished international jury has given him a prize. Do we despair? Yes, we do.

Rachel Whiteread, whose work fills the British Pavilion to rather more impressive effect, is another winner of a *Premio 2000*. But more of that, and other pavilions and prizes, in my next review.

The 47th International Art Exhibition - *La Biennale di Venezia: the Giardini di Castello, the Corderie Tana* and elsewhere throughout Venice, until November 9.

Radio/Martin Hoyle In search of serendipity

In 1559, inflamed by a more than usually iconoclastic sermon in Perth, John Knox's congregation whooping descended on what was left of pre-Reformation Scotland's architectural and artistic treasures. The iconoclastic movement was evoked last week by the dour Caledonian tones of a Radio 4 bigwig growling his way through an interview on the now accustomed crop of rumours about the BBC's best channel. Given the corporation's current motto, "If it's perfect, smash it", Radio 4 is up for vandalism again.

Radio 4 sums up the BBC's once fabled - and now mythic - excellence.

With Radio 3, it has sought to maintain a certain variety of programming, recalling the old days of comedy, talk, drama and a wide range of music on each station.

I heard my first *Pagliacci* and *Hedda Gabler* on the Light Programme where today Sheridan Morley's eager-beaver plod is an apology for a Radio 2 arts policy.

Brave new world channelling ensures that nobody is ever surprised, shocked, broadens his horizons, is - well, educated, to use a word that today's BBC would relegate to a separate ghetto. Heaven forbid that a snippet of the splendid coverage of the *Cardiff Singer of the World* finds its way on to Radio 2. The robots are already programmed. Any risk of serendipity might throw them out completely.

Any hymn to Radio 4's particular capacity for serendipity includes the threatened *Farming Today*, an early morning eye-opener, in all senses, for all but the most tunnel-vision robots, now menaced by *Today*. *Woman's Hour* may be on the move yet again. The trouble is, it is too interesting on too many fronts, and iconoclasts mistrust this multi-faceted appeal. Last week we had items on "Countess Dracula", Celtic goddesses, a tough anti-welfare American nun, and hilarious page three "stunna" Gayle Tuesday.

Her advice to giggle a lot and make the most of your books was delivered with a chirpiness indistinguishable from someone called Rosie, allegedly the BBC arts correspondent, who followed her to talk of the all-female Turner Prize shortlist in Soweto. Is it fanciful to think that the treatment - no haranguing, no fake-pertinacious, documentary evidence unobtrusively given grace and shape - is essential Radio 4? It is? Then pull it down, Reverend Knox.

we know how excellent it is: *Mediumware* is another threatened programme, rightly called a "watchdog by one of last week's participants. What if... on a hypothetical Labour victory in 1992 threw out a number of pearls to listening swine: politicians have lied about sterling since the saintly Stafford Cripps. Dennis Skinner called Tony Blair "a yappy barrister". "Harriet Harman would have been a parliamentary secretary at best," opined Roy Hattersley, "because everybody gets appointed above their ability from time to time." Ouch. Read between the lines and this was funnier than *Wivv Ending*.

Looking Forward to the Past is chaired by Paul Boateng, long considered too shrewd, cheerful and generally nice to be in politics. One of his pleasant guests was a man called Max, whom the Radio Times referred to as Mary; but as the RT cannot spell Euphrates, mistaking people's sex is par for the course. This is one area where an iconoclast is needed, God knows.

Other treasures and pleasures: Ronald Blythe's loving, wise evocation of country life in *Dear Diary*; music boxes butting their heads together in the wonderfully atmospheric *A Cry in the Dark* - Joanna Pinnock listening to the Arctic night in a tent in Greenland; *The Sandy Bottom Orchestra*, the *Book at Bedtime* by Garrison Keillor and Jenny Lind Nilsson. Speaking of Keillor, another gently witty American voice narrated Wednesday's *Your Place or Mine*, a slightly surreal-sounding cocktail party of voices, real people linked by the speaker's fantasy, as dry and wry as the best Manhattan marauder. The woman complaining of her partner, the teenager of her parents, were articulate and observant: the general impact was a cross between *Frasier* and *Mad Magazine*. Emma Thompson should be shot for denying the Americans irony.

The Day Apartheid Died was another pattern of voices but no cocktail party. Black and white, doctors and parents, recalled the 1976 shooting of students and children during a peaceful demonstration in Soweto. Is it fanciful to think that the treatment - no haranguing, no fake-pertinacious, documentary evidence unobtrusively given grace and shape - is essential Radio 4? It is? Then pull it down, Reverend Knox.

broadcasters and politicians in Britain, and between the state and journalists in the USSR, arose at different times and for different reasons. The evidence here suggests that each of these stories could have benefited from an entire programme. Moreover, the last episode only just begins to get into the complicated question of the extent to which television has now begun to create the news instead of simply reporting it, and the extent to which television may soon combine with the internet.

Of course *Breaking The News* is aimed at the general viewer and not just at those of us who seem obsessed by television, but, given the excellence of this series, it seems a pity that it does not go even further.

Television/Christopher Dunkley

On the broadcaster's role in history

Wether or not television journalism is really the most influential industry in the 20th century" as is claimed by the makers of the BBC2 Sunday evening series *Breaking The News* (more influential than electricity, armaments, pharmaceuticals, groceries, computers?) it probably is true that most of us argue about it more often than we do about those other industries.

It is a controversial subject because journalism concerns itself with crises in the lives of individuals, nations and international alliances, and television has played an increasingly important role in journalism in the past 50 years. Those over 50 have witnessed virtually the entire history of the business, and this series benefits enormously from the fact

that many of the pioneers of television news - and television journalism - are still alive today and rather good at giving interviews.

Just on the trivial level of unconnected incidents, this is an engrossing series. In the opening programme last week we heard about the American Jones twins, Eugene and Charles, who took hand-held cameras to the Korean war in 1950 and captured the sort of dramatic frontline footage which most of us think of as originating in the Vietnam war, two decades later. In tomorrow's programme we see the striking opening of

an early edition of *Granada's World in Action* with coffins being carried out of every door in a street in a northern industrial town, to illustrate the seriousness of bronchitis.

Next week Bernard Ingaham describes Margaret Thatcher's reaction to the request that 55 people be accredited to No 10 Downing Street on the first occasion that the BBC interviewed her there. In the final week Bernard Shaw, CNN's man in Baghdad during the Gulf War, explains how all young reporters think that if they ever get a great scoop "My report is going to be so mem-

orably phrased", then we hear Shaw's opening words on the night the Allied attack began: "Something is happening outside". Shaw tells the story beautifully against himself.

There is much more because these four programmes, each 50 minutes, are seeking to do not one job but about 10. First there is the development of news in the UK, the US and the USSR, three very different stories. Then there is the development of current affairs in those three countries - entirely separate subjects. Next there is the fraught matter of the relationship between television journalists (and television journalists) and politicians. In the US Ed Murrow agonised over whether he was justified in using the power of the new medium against

one politician: Senator Joe McCarthy. In Britain we are reminded of the damage done by a blundering William Rees-Mogg when he instigated the viewing and then the withholding of a controversial programme about Northern Ireland by the governors of the BBC, thereby usurping the director-general's role of editor in chief and creating constitutional mayhem.

The relationships in Soviet Russia between journalists and politicians were, of course, far worse. Although there is considerably more in this series about the US and the UK, some of the most interesting material is about Russia, largely because we previously knew so much less about television journalism there. It is

no great surprise to discover that, in the worst of the bad old days, journalists could lose their jobs just for getting words wrong, but even more interesting are the revelations about conditions in the new Russia.

It is instructive and depressing to hear from Yelena Pozdnyak who used to be responsible for editing the speeches of the leaders in the old days to make them look good, that when she asked what to do with footage of Yeltsin speaking drunkenly in London in 1992 she was told to wipe it. She resigned.

There are rewards in each programme, and you will not have wasted your time if you watch all four. However, this is a striking example of an occasion when the producers (Glynis Jones, Colleen Toomre and Peter Ceresole) might have done even better with more time. The programmes run chronologically, but events in the three countries do not obligingly coincide: rows between the president and the broadcasters in the US, between

broadcasters and politicians in Britain, and between the state and journalists in the USSR, arose at different times and for different reasons. The evidence here suggests that each of these stories could have benefited from an entire programme. Moreover, the last episode only just begins to get into the complicated question of the extent to which television has now begun to create the news instead of simply reporting it, and the extent to which television may soon combine with the internet.

Of course *Breaking The News* is aimed at the general viewer and not just at those of us who seem obsessed by television, but, given the excellence of this series, it seems a pity that it does not go even further.

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Flowering of the Harlem renaissance

Never before have so many black artists and intellectuals achieved so much success in so many fields, argues Henry Louis Gates Jr

Since the earliest decades of this century, Harlem has captivated the imagination of writers, artists, intellectuals and politicians around the world. Stories are legion of pilgrims progressing to Manhattan then plunging headlong into the ultimate symbolic black cultural space, the city within a city, the "Mecca of the New Negro" - (as Alain Locke put it in 1925) - that Harlem became in the first quarter of the 20th century.

Fidel Castro's recent pilgrimage, recalling his famous sojourn at the Hotel Teresa in 1960, is only the latest in a long line of such pilgrimages into America's very own heart of darkness. Max Weber and Carl Jung, Federico Garcia Lorca and Octavio Paz, Zora Neale Hurston and Langston Hughes, Kwame Nkrumah and Wole Soyinka, Marcus Garvey and Malcolm X, Ezekiel Mphalele and Nelson Mandela have all made the journey up north.

For the negro intellectual, wrote Langston Hughes, "Harlem was like a great magnet pulling him from everywhere. Once in New York, he had to live in Harlem." Harlem, as a cultural metaphor for black America itself, was invented by writers and artists who were determined to challenge the stereotypical image of Negro Americans as ex-slaves and members of a race that was inherently inferior and transform it into an image of a race of culture bearers. To effect this transformation, a "New Negro" was called for and this New Negro would need a nation over which to preside. And that nation's capital would be Harlem, that realm north of Central Park, between 130th Street and 145th.

It was Booker T. Washington, writing in 1900, who first enlisted several of his followers to imagine a "New" Negro, unfettered by the racist burdens of the past. In 1900, demeaning images of the ugly, evil Sambo proliferated throughout the homes of American families; on their alarm clocks, on their egg-cups or tea-cosies, napkin-rings or place-mats at breakfast, in various games, advertisements in magazines and US government postcards.

"We must turn away from the memories of the slave past," insisted Booker T. Washington. "A New Negro for a New Century," he argued, would be the answer. One year later, the black Bostonian William Stanley Braithwaite (a distinguished critic and poet), argued that "We are at the commencement of a 'Negroid' renaissance... that will

have as much importance in literary history as the much spoken of and much praised Celtic and Canadian renaissances." He was writing at the end of a full decade of unprecedented literary production by black women (who published a dozen novels and edited their own literary journal between 1890 and 1900) and at a moment when the poet Paul Laurence Dunbar, the novelists Pauline Hopkins and Charles Chesnutt, and the essayists W.E.B. Du Bois and Anna Julia Cooper were at the height of their creative powers.

The second Harlem renaissance, two decades later, took its artistic inspiration from Europe. Dvorak had already declared negro spiritual songs to be America's first authentic contribution to world culture and urged classical composers to draw upon them to create *suites* and symphonies. In 1910, Pablo Picasso had stumbled across "dusky Manikins" at an ethnographic museum and forever transformed European art, as well as Europe's official appreciation of the art from the African continent.

Picasso's *Les Demoiselles d'Avignon* - the signature painting in the creation of Cubism - stands as a testament to the shaping influence of African sculpture and to the central role that African art played in the creation of modernism. The Cubist mask of modernism covers a black Bantu face. African art - ugly, primitive, debased in 1900; sublime, complex, valorised by 1910 - was transformed so dramatically in the cultural imagination of the west, in such an astonishingly short period, that the potential for the political uses of black art and literature in America could not escape the notice of African-American intellectuals, especially W.E.B. Du Bois, educated in Europe and cosmopolitan to the core, and Alain Cocker, Harvard-trained, a Rhodes scholar at Oxford in 1906 and thereafter a student of aesthetics in Germany in the heady years of the modernist explosion. Thus the second Harlem renaissance, in so many ways, owes its birth to Euro-African modernism in the visual arts.

This resurgence, known as the Harlem or New Negro Renaissance, was well underway by 1925, nurtured by Alain Locke, who edited a special issue of Survey Graphic Magazine in March of that year (*Harlem: Mecca of The New Negro*). This was followed by his 46-page anthology entitled *The New*

Negro: An Interpretation, replete with illustrations by the German designer Wohl Reiss and the African American artist Aaron Douglas. Writers such as Langston Hughes, Jean Toomer, Countee Cullen, Jessie Fausett and Zora Neale Hurston - the fundaments of the black canon today - came of age here, leading the New York Herald Tribune to announce in 1925 that America was "on the edge, if not already in the midst, of what might not improperly be called a Negro renaissance."

The Black Arts Movement of the 1960s and early 1970s prompted the third Harlem renaissance. Deeply rooted in black cultural nationalism, the Black Arts writers saw themselves as the artistic wing of the Black Power movement. Writers such as Amiri Baraka, Larry Neal and Sonia Sanchez saw black art as functional: the function in question was the political liberation of black people from white racism. Constructed on a fragile foundation of the overtly political, this renaissance was the most short-lived of all. Yet many of the artists who have come of age since 1987 were shaped or deeply influenced by this period.

Today, black writers and artists, musicians, dancers and actors have entered a period of creativity unparalleled in American history. The signs of cultural vibrancy are unmistakable: in literature (Toni Morrison and Terry McMillan); Walter Mosley and John Edgar Wideman); August Wilson in drama; Rita Dove in poetry; public intellectuals such as Cornel West, Greg Tate and Lisa Jones; artists such as Martin Puryear and Lorna Simpson; Anthony Davis and Thulani Davis in opera; jazz musicians such as Wynton Marsalis and Cassandra Wilson; Hip-Hop artists such as Public Enemy, De La Soul and Queen Latifah; film-makers such as Spike Lee, Julie Dash, John Singleton - the list is stunningly long. From television to op-ed pages, from the academy to the poetry slam, never before have so many black artists and intellectuals achieved so much success in so very many fields.

The current renaissance is characterised by a specific awareness of previous black traditions, which these artists echo, imitate, parody and revise, self-consciously, in acts of "lifting," "signifying" or even "sampling". As the jazz and opera composer Anthony Davis puts it, "There are three different



The ultimate symbolic black cultural space: 'Harlem at Night', c.1924, by Wohl Reiss, at the Hayward's new show 'Rhapsodies in Black'

strains in the black music revolution today - classical jazz (such as Wynton Marsalis), avant jazz (such as Anthony Braxton), and the fusion of Hip-Hop and jazz (such as the compositions of Steve Coleman)." What each shares, however, Davis continues, "is a common attempt to rediscover the past." Davis's opera *Malcolm X* is a prime

example. "What this is, is a renaissance of post-modernism, and post-modernism, in America, is quintessentially black," he concludes.

Given the sophistication of so much of this art, and given its demonstrated power to turn a profit, it is highly likely that the achievements of this renaissance will be the

deepest, the longest-lasting and the most appreciated by the larger American society.

Henry Louis Gates Jr gives a talk at the Purcell Room, London, tonight to launch the Hayward Gallery's exhibition "Rhapsodies in Black: Art of the Harlem Renaissance".

Outside his home-land few have heard of him. His picture never appeared in the western press. He was not the world's greatest poet nor the most refined singer. But Bulat Okudzhava was one of Russia's best-loved performers, symbol of a generation and conscience of the nation.

His death last week, at the age of 73, was the end of an era for the Russian intelligentsia. Okudzhava's tunes were simple, his words ingenuous, and he sang his own lyrics to the accompaniment of an acoustic guitar.

He was the bard of Russia's 1960s generation. Words like "symbol" and "conscience of the nation" did not quite seem to fit the image of this small, Georgian man with sad eyes and quiet voice.

But if Alexander Solzhenitsyn helped to destroy the Soviet system, Okudzhava was what separated us from dishonour.

Neither a dissident nor a revolutionary, Okudzhava did not demand these qualities from his listeners. He had a particular respect for privacy, a concept that hardly existed in the Soviet Union. He existed parallel to the system and in his intimate and ironic songs he proclaimed the supremacy of private life over the communal values of the regime.

He was born in Moscow in 1924. His father was a Georgian revolutionary, shot by Stalin in the 1930s. Okudzhava served at the front during the second world war and later worked as a teacher.

The beginning of his writing career in 1956 coincided



Singer and poet Bulat Okudzhava: he preserved what he valued most, a sense of dignity

Theatre/Sarah Hemming Anarchy rains

A man plunges down and takes an audience member hostage, then the whole ceiling rips apart, pouring out balloons and confetti. From the vast cavernous space above, performers dive and swoop like euphoric birds.

From then on the mood is of carnival - wild, joyous and dangerous. The 11 performers do not so much trapeze as fly above you, suspended by ropes and harnesses. They crouch bat-like on the scaffolding, then launch themselves terrifyingly into the space, whooping and crying. At one point, the sensation of being in some strange jungle is reinforced by an indoor monsoon: the audience is sprinkled with a fine rain.

This is all far more pleasant than it may sound and far more acutely organised. While the mood may be anarchic, the choreography is precise, albeit horizontal

with the 20th congress of the Communist party in which Nikita Khrushchev denounced Stalin's cult of personality. Okudzhava's voice was the first signal of the thaw. As Stalinist monumentalism ended, the personal, the emotional and above all the confessional became the

style. Okudzhava's honest songs about the second world war, seen through the eyes of 20-year-old boys and girls, differed from the official style of Soviet patriotism.

He sang about Moscow streets where he grew up, about the last trolleybus, an old jacket, or the poet Vilon, with a sincerity alien to the declamatory style of Soviet singers. The language he used in his songs was devoid of sovietisms. Okudzhava also wrote historical novels which had a clear connection with the prose of the 19th century. In 1994 he

received a Booker prize for a semi-autobiographical novel *Closed-down Theatre*.

He first played his songs to a circle of friends in small Moscow kitchens enveloped in clouds of cigarette smoke, then onto a domestic tape recorder. His lyrics were impossible to translate - not because they were so complicated poetically, but because they were inseparable from the tone of his voice (always slightly understated) and the manner of his performance (tactful, modest, pensive).

"My songs were a dialogue with people who understood each other with half a hint - a quiet dialogue. I did not have to explain anything to them, they knew exactly what I wanted to say without me saying it. It was as if I was writing for good friends and people liked listening to my songs in the kitchen, as if I were a third person there", Okudzhava said in one of his last interviews.

After the collapse of the Soviet Union and the disintegration of the intelligentsia as a homogeneous class, Okudzhava almost stopped writing. His 1994 Russian Booker Prize was more a tribute to his life than a credit for the literary merits of one of his novels. His later concerts were largely sustained by a feeling of nostalgia.

Many of his fellow artists rushed into politics, money-making, or settled abroad. Okudzhava stood aside from the bacchanalia which accompanied the transition of Russia into a market economy. "I am not really connected to the present time - there are sad things and some good things - but on the whole I live separately from modern life," he said not long before his death. He did not fit into contemporary life, but he managed to preserve what he probably valued most - a sense of dignity.

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Theatre/Sarah Hemming Anarchy rains

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From then on the mood is of carnival - wild, joyous and dangerous. The 11 performers do not so much trapeze as fly above you, suspended by ropes and harnesses. They crouch bat-like on the scaffolding, then launch themselves terrifyingly into the space, whooping and crying. At one point, the sensation of being in some strange jungle is reinforced by an indoor monsoon: the audience is sprinkled with a fine rain.

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How to Spend It

Fashion

Game, set and match in classic white

Bright colours on the tennis court don't win any style prizes, says Lucia van der Post

For the service, the angle of the backhand, the skill it takes to lift a topspin lob - what really counts, when it comes to keeping the bank-notes rolling in, are the clothes. Mary Pierce's forehand may lack the ferocity that once worried even Steffi Graf but never mind, her name is still on the tennis-watching public's lips, her pension fund still getting fat, and all because Nike has mastered the art of turning her out in headline-grabbing gear.

Clothes in the world of professional tennis really matter. They even matter for those of us unlikely to grace the courts at Wimbledon, but we, at least, can put on what we like instead of what we're paid to wear. I still think it is hard to beat white - it's simple, classic, crisp and cool. It's as much a part of the Wimbledon ritual as strawberries and cream.

The new, young guard can come along with their Day-Glo stripes, their patterns that look as if they've been inspired by interference on the television screen, their drab shorts, their darkly brooding blacks and oversized shirts. While they may sometimes win the game, they don't win the style prizes.

Without hankering for a return to the golden days of Bill Tilden, with his long trousers and button-up shirts, and Suzanne Lenglen, with her ankle-skimming skirts, it is still possible to look for just a little more of traditional charm and a little less of the Andre Agassi obsession with bagginess and blackness. The good news is that many tennis wear designers are beginning to realise that there is still a longing for clothes with real aesthetic appeal.

Two years ago, two new designers - Sam de Terin and Perri Ashby - entered the tennis fray, both with a mission to bring some charm and flattery to the clothes. As Perri Ashby said when she launched her first collection: "I wanted to have back

shorts and is unattractively dubbed the 'skort' (£30). Nike is generally considered to cater to the younger, funkier end of the market - it provides Pierce's black, fitted dresses and Agassi's baggy shorts. But after the huge success of Pierce's dress (female tennis fans, it seems, flocked to buy it), they have started to provide a broader range.

Those who believe in simplicity and don't want to pay fancy prices for it should look at M&S. It has a pretty and practical white dress with sleeves and collar tipped with navy, orange or lime at just £25 and a matching cardigan for £25. The most important piece of equipment is, of course, the racquet. Continually evolving, this year's (and last's) fad is the racquet with

the longer handle and larger, elongated head. Martina Hingis will play at Wimbledon with the Yonex version, as will Michael Chang, Alberto Costa, Patrick Rafter and co. The main advantage of the racquet seems to lie in giving the player a longer reach and greater power. It helps most of all with the serve, giving shorter players a higher reach and therefore a better angle on the ball. Almost all manufacturers

have their own version, with the Yonex RD 70 at £169.99 seeming like a well-priced, middle-of-the-range example.

Shoes are also important. According to Lee Wilmot, who runs a specialist sports shop, Wigmore Sports, 81 Wigmore Street, London W1, a tennis shoe should be different from, say, a running shoe. In tennis, the players give a lot of what are called "crab-like movements", therefore sideways support is vital. Wilson and K-Swiss do very stable, well-priced versions - Wilson's is The Extreme 300 at £49.99, while K-Swiss does The Ascender at £69.99.

Finally, if you feel insecure without dark glasses in the sun, Wilmot says the chic tennis players' brands are by Ray-Ban, Oakley or Adidas and that Croakies (little bands of rubber and felt at £4.99 a go) will keep them firmly in place.

Well-suited in the east

Savile Row has a unique link with Shanghai, finds Lucia van der Post

For two or three years, sad tales of the imminent demise of Savile Row and the irrevocable loss of invaluable craft skills do the rounds, bringing tears to the eyes of all but the most hardened backs. This year, the story is somewhat different - Savile Row, or some of it at least, is booming.

Smiles are waiting from some of Britain's most eminent tailors and some of the biggest seem to be coming from Kilgour, French & Stansbury. Not only is there a waiting list for the most expensive service of all, the hand-tailored, made-to-measure English suit at anything from £2,000 upwards, but a new service, the hand-tailored, made-to-measure in Shanghai suit at £200 a time (inclusive of VAT), is proving popular with younger clients. For them, it seems a steal when compared with the prices being demanded by Armani, Yves St Laurent and other designer names.

The service works like this. The customer comes into the main headquarters at 8 Savile Row. He chooses his fabric from the many swatchbooks on offer, he is measured up and all his styling details, from length and shape of lapel, to how many buttons and whether it should be single or double-breasted, and have single or double vents are discussed.

The suit is then cut in the workrooms in Savile Row



Cary Grant, a famous customer but not of the Shanghai version

and the cloth, pattern and all relevant information are dispatched to Shanghai where the suit is hand-sewn by Chinese tailors, practised in the art of Savile Row tailoring. Between four and six weeks later, the suit arrives in Savile Row and, after fitting, any necessary adjustments are made on the premises.

The chief difference between the two suits is that the buyer of the

floating canvas lining. By a quirk of history, it seems there is a pool of highly skilled tailors in Shanghai who understand Savile Row tastes and standards. In the 1920s and 1930s, Shanghai was an important and fashionable trading centre - much more so than Hong Kong - and the large number of British expatriates who spent many years there encouraged Savile Row tailors to train Chinese craftsmen to make traditional suits.

The Chinese were quick learners and the skills have been kept alive all these years, adapting to turning out politically correct Mao suits during the early years of Communist rule and the Cultural Revolution. During the last five or six years, some tailors from Hong Kong have made their way back to Shanghai. Hugh Holland, managing-director of Kilgour, French & Stansbury, calculates that about 10 per cent of the pool of tailors he has recruited came from Hong Kong.

For those who are too impatient to wait the four or six weeks the Shanghai-tailored suit requires (and the younger generation, it seems, when they want it, want it NOW), Kilgour, French & Stansbury has launched a hand-sewn, Ready-to-Wear collection of suits under the "8 Savile Row" label, which sell for £750 a time.

Kilgour, French & Stansbury are at 8 Savile Row, London W1. Tel: 0171-734 6945.

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MOTORING

Happy with a mid-life change

Stuart Marshall road tests Europe's current best seller

The Fiat Punto, Europe's best-selling car, has had a mid-life upgrade. Nearly all petrol-engined Puntos sold in Britain now have a new 1.2-litre engine, tuned to produce 60 or 75 horsepower in the cheaper models, 86 horsepower in the ELX and Sporting and Cabrio.

Odd man out is the GT, with a turbocharged, short-stroke 1.372cc unit developing 130 horsepower. Completing the range are four turbodiesels, the basic "S" versions with 63 horsepower engines, the better equipped SX with 69 horsepower.

Punto was introduced in late 1989. It is a three or five-door hatchback, with lots of interior space but unlikely to be confused with a mini-multi purpose vehicle or a van with windows.

It has been a huge success for Fiat, not least because its build quality is first class. As a result, it has a reputation for reliability and good

second-hand value. Minor changes to the suspension and steering have improved the ride and sharpened the handling. Surprisingly, only the diesels, the 60 SX Selecta with continuously variable (automatic) transmission, and the posher Punto - the £10,945 85 ELX and above in the price lists - have power steering as standard.

It is an optional extra on the 75 SX (from £9,295) but is not available on the least expensive Punto 60 models, priced from £7,784 to £8,780. (All prices are on the road.)

The first Punto I tried was a non-powered steered 75. It

was a nippy but refined performer on the smooth, wide-open roads of north-east Scotland and rode well on the occasional rougher surface. The gearshift was light and quick, the engine spun willingly but never strained when accelerating hard and did not object to trickling slowly through villages in top.

The non-powered steering

did not make it objectionably heavy to nudge and tuck into a small parking place but for the first few miles I found myself tending to run a bit wide on bends.

A power-steered Punto

Sporting, with a 16-valve engine developing 86 horsepower at 6,000 rpm and running on ultra low-profile tyres, handled much more crisply on winding roads. It begged to be driven quite

hard. The engine was silky, not thrashy, at high revs, which is just as well. Low overall gearing means that at typical outside lane motorway speeds it would be

turning over at close to 5,000 rpm. Fuel consumptions should be around 40 mpg (7 l/100km) and the very rapid GT should achieve 34 mpg (8.3 l/100km) unless thrashed.

As always, the diesels

shine at the pump. Owners can expect at least 45 mpg (6.3 l/100km).

Happily, the Italians have never gone along with the trend for rock-hard upholstery so the Punto's seats

yield comfortably but still offer plenty of support.

The high roofline makes the interior seem quite spacious. Even the three-door models are easy to enter and leave.

Photo: PA

MOTORING

An island idyll for classic cars

Ivor Williams goes to Madeira and finds that the local wine is not the only attraction

Most people go to Madeira for the balmy climate or the magnificent scenery. Madeira, one huge garden, seems always to be in flower. You can go for the relaxed ambience - Sir Winston Churchill did, several times.

But a classic car rally - with your own car? On Thursday, about 80 antique and classic cars, minimum age 50, will set off from the Avenida Arriaga in Funchal on the 300 km "Volta à Ilha da Madeira", billed as one of Europe's most beautiful rallies for antique and classic cars.

Many are being brought from Europe but one car is from Curacao, part of the Dutch Antilles in the Caribbean. The rest are from Madeira itself.

The Madeiran classic car fraternity is an enthusiastic one. Ricardo Veloza, a 50-year-old sculptor, is entering his beautifully restored 1932 MG J2, but I spotted a pristine metallic silver split-screen Jaguar XK120, circa 1950, lurking in his garage.

"What about the Jaguar?" I asked.

"Unfortunately I'm not entering this car," he shrugs. "It's not ready. I have a small problem with the gearbox." Veloza has taken four years to restore the Jaguar and, gearbox apart, it looks as though it

has just been driven out of the showroom.

Veloza, like Dr João Mendes Almeida, president of the Clube de Automóveis Clássicos da Madeira, has taken part in the event since the first rally 10 years ago. Dr Almeida, an ear, nose and throat specialist, has three classic cars... an MG TC circa 1946, an HRG Aerodynamic of 1947 and a 1933 Jaguar XK 120 which he is driving in the rally.

The Jaguar was his favourite, he said, "because it is more fast, more strong - and I like very fast cars."

But why hold a classic car rally in Madeira?

"Madeira is a beautiful island," says Elma Gonçalves, of the PR consultancy Abreu, agent for the rally and club. "The climate is very good all the year round, it is very scenic. It is a very nice place to hold a classic car rally."

The rally route is indeed beautiful. On a preview drive, snaking north from sunny Funchal on the southern coast into the mountains, the bright subtropical flora - blue and white agapanthus, brilliant yellow gazanias and cascading purple jacarandas quickly gave way to cool green ferns, coniferous forests and a myriad of white hydrangeas - and mist.

Our fleet consisted of a plum-coloured 1954 Austin

A40 with a hydrangea-white roof. Owned by Filipe Ramos, a radio journalist, it was originally won in a local football club raffle.

I chose an agapanthus-blue Renault 4CV, owned by

one João Caracho. The chic 4CV is all rounded curves and French panache. Known as the "Jeanine" in Portugal, it is like a Morris Minor, with a 480cc engine in the back and a

knitting needle for a gear stick. The particular model which I chose, a 1957 Renault 4CV - a youngster at just 40 years old - contained an antique valve radio that took longer to warm up than

the engine. A gazania-yellow Morris Minor split-screen convertible, circa 1955, and a jacaranda-purple Fiat Milcento Turismo Veloce saloon, also born in 1955, completed the motorcade.

First stop: Victor's Bar at Ribeiro Frio, where the local population gathered to admire our little fleet. Dr Almeida accompanied us in his everyday car, a new metallic-grey Mercedes SEL convertible - no one took any notice of that.

Onwards and upwards,

and after a copious amount of double declutching to get the cars into first for the hill climbs and hairpins, the little fleet trundled past the sheer drops into Santana in the north of the island for lunch.

"This is not a typical rally course," I mused to Elma.

"No, it is not very difficult, it is not what you would call a 'strong' rally. It is also not a very quick rally, it is really to see the views, to enjoy the sun, to enjoy the island," she replied.

But the event does attract some intrepid types - on one occasion, it kept raining night and day, says Elma. "Some of the open cars

couldn't be closed up but the

rainy went on. In particular, two ladies came in their open Bugatti without a hood, but they drove the whole rally route with crash helmets, sunglasses... and an umbrella. Can you imagine?"

Lunch over and we were eager to go. The ancient Austin had, by now, developed a slight radiator leak but "it's always doing that," shrugged Veloza and with a few more shrugs - even I was doing it by now - off we went back to base.

Base was the quiet elegance that is Reid's Palace Hotel, the sort of place where our ancient fleet seemed to fit in perfectly as part of the scenery.

Later, while surveying Funchal and the shimmering bay through the palms over cocktails on the terrace, a thought struck me. My MG Roadster is 19 years old. I have only 11 years to wait before I can enter it.

■ Entry for "pilot and co-pilot" this year cost Esc 250,000 (about £880) per person for two people and one car. This includes return flights from London or several other European airports, rally fee, car transportation and insurance and accommodation at Reid's.

■ To enter next year's rally, telephone: Agenzia dei Viaggi Abreu, 351-91-231077 S. fax 351-91-230852 234401 or Mafra of Portugal on 0181-711111.



Ivor Williams

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76 and retired, was chief development engineer at Jaguar for 25 years overseeing the birth of 25 Jaguar models as well as racing himself. Of that most fatal of his racing days, when 84 died in 1965 in an accident at Le Mans, he does not wish to talk. At the wheel of a D-Type, though, his enthusiasm is undiminished. He grins at the suggestion that Jaguar's fault-free cavalcade is a feat of merit. The "D's, he points out, are still something special.

It is difficult to describe the sensation of moving collectively on to the Le Mans circuit, an hour before the race itself. The 15 "D" engines, of nearly 300 horsepower propelling well under a ton, bark and bellow, unforgettable and spine-tingling. My own Porsche racer, a creation of wings and giant slicks and downforce, sticks to the road like glue. The "D", once seriously under way, shifts and writhes on impossibly skinny, gripless tyres; the puny brakes a triumph of good intention over achievement. The thing is alive, exhilarating - and daunting.

Now we are on the notorious Mulsanne straight - at a mere 120mph, in the daylight and in the dry, the car is already light and nervous - to say nothing of the driver. I recall that Flockhart and his ilk took the straight, with its flat-out kink, at 180mph in the dark, with almost non-existent lights, no seat belts, no roll-over bar and frequently when it was pouring. And in recalling, I redefine my heroes.

TRAVEL

Come home to Cathar country

Giles MacDonogh enjoys churches, art and food in and around Albi

Times change and historical interpretations change with them. When I was growing up, the Cathars were considered heretics with dodgy sexual habits. Go to south-western France these days and you will find shelves full of books to prove that the Cathars were the apostles of Occitan nationalism, "caring" Christianity, free love, feminism and vegetarianism.

The greatest monuments to the Cathars are the ruined castles which litter the high ground on the old French-Catalan border. The greatest symbols of their repression are to be found in the austere lines of 13th century churches: the Dominican church in Toulouse, and above all the cathedral in Albi.

The strict and powerful profile of the fortified cathedral has been softened over the years, partly by the demolition of the old perimeter walls and the picturesque

aspect of Albi itself, with its bridges over the Tarn and Italianate mills with their upper floors projecting over mossy corbels; and partly because of Bishop d'Amboise, who brought Renaissance craftsmen to the city and who was responsible for the lavish interior decoration of the vast church.

By that time Toulouse and Albi had grown rich on the wool trade. "Royal blue" was eventually superseded by cheaper indigo from the Indies, but not before it had added its lustre to the churches of the later Middle Ages, Albi included.

Bishop d'Amboise's painters covered every inch of the cathedral with a happy blend of Gothic and Renaissance. There seems to have been a remarkable amount of improvisation, too, and the grisailles conceal a number of portraits and caricatures of clerics indulging in vices once associated with the Cathars themselves.

No wonder, perhaps, that Albi should be the birthplace of Henri de Toulouse-Lautrec, whose eccentricity led him to spend four years in a brothel, studying the inmates. Some of his wildness was inherited from his father, who rode to hounds dressed as a Cossack.

Toulouse-Lautrec's mother later left 1,000 of her son's canvases to the city of Albi where they form the pride of the collection housed in Bishop d'Amboise's old palace.

The Albigois is built in a warm pink brick, much like the famous "ville rose" of Toulouse. The brick zone extends to Gaillac to the west, another ancient town which towers over the Tarn. Today the Gaillac is better known for its wines.

I visited Jean Albert, whose 100-acre vineyard had had a rude attack of frost just a week before. It had reduced his production by 60

per cent at a stroke. His best wine was an 80 per cent Brancol Cuvee Guillaume - a big, chewy, tarry wine with plenty of persistence. Fortunately, he still had plenty in stock from the three previous vintages.

I was staying at Les Pradelles in Flac, in a chambre d'hôte belonging to Roger and Ulli Clarke, an English-German couple who moved to France four years ago and whose three well-appointed houses offer possibilities for painting, riding and golfing holidays as well as those of a more purely sybaritic bent.

The local restaurant - Les Marronniers in Viterbe - is just a kilometre away. There, the Gaillac wines of Michel Issaly at the Domaine de Ramaye were also in evidence.

They accompanied a duck-dominated meal - *rillettes de foie gras*, *confit* and so on - cooked by former *pâtissier* Jean-Luc Viala. Not surprisingly, his *tarte fine* proved the high point of dinner. I

Toulouse-Lautrec's 'Au salon de la Rue des Moulins' from the museum housing his work in Albi

spent the next day ambling around Toulouse looking at churches. The great Romanesque basilica of Saint Sernin had been sadly mauled by the revolutionaries, who had robbed it of its frescoes.

All that remained of a bas-relief of St Christopher were his feet. At the Cathedral of Saint Etienne, I was amused

by a chapel set up by Pope Pius IX (the of Papal infallibility) which promised remission of time in Purgatory (seven years and seven lenten) for anyone who had said a prayer for the Pope.

St Augustin has become a museum since the revolution, many of the exhibits were originally plundered by Napoleon, a sad owner for

those who still harbour a hope that some of the 2.5m German works of art still in Russian hands might come home one day. Particularly lovely is a representation of St John the Baptist and St Augustine by Perugino.

By now my feet had begun to ache and I had found Au Père Louis in the rue des Tourners. This is one of the best-preserved bars in France: just four seats, a number of dusty casks and a series of yellowing wall-paintings which appear to have been added as recently as the 1930s. The bar specialises in muscat wines and "Quinquina", a bitter orange and quinine aperitif sold nowhere else.

I finished the day at Le

Pastel, the most exciting new restaurant in Toulouse. Gérard Garrigues used to work with top chef Alain Dutourneau in Paris and has come home with some sophisticated flourishes to add to his south-western repertoire.

With glee he led me up into a huge larder where there were hanging several score of hams and hundreds of sausages, all from pigs selected, bred and fed to his requirements.

Some of this ended up on a plate placed before me as I studied the menu, but once again the accent was on duck: artichokes stuffed with *foie gras* and truffles, a magnificent *tarte tatin* of glazed baby turnips topped with an escalope of *foie gras*, and a slice of bread covered with pine kernels, grilled pigeon and *foie gras*.

Local goats' and ewes' milk cheeses were followed by a pear "pastilla" with nougat; a *confiture de vieux garcon* (fruit pickled in Armagnac); and a lovely little pumpkin tart.

It was one of the best meals I have had this year. As I caught my breath at the end of it I looked around the room to see a crowd of happy, chomping Frenchmen revelling in their meat, and not a Cathar in sight.

■ *Giles MacDonogh's weekend was organised by Crystal Holidays 0181-241 5030. He stayed at Villa Les Pradelles, near Lavaur. A week at this self-catering farmhouse costs from £110 per person based on nine sharing. He flew from Heathrow to Toulouse with Air France.*

■ *Roger and Ulli Clarke 00 335 63 70 52 07.*

■ *Les Marronniers in Viterbe 335 63 70 64 96.*

■ *Le Pastel in Toulouse 335 61 40 59 01.*

All of Canada on an island

Hugh O'Shaughnessy visits the country's smallest province

This is all the many Canadas for the price of one. Scots Canada, Irish Canada, French Canada, aboriginal Canada, traditional conservative Canada, literary Canada, golfing Canada, all are on Prince Edward Island.

The only things missing - on what is universally known as PEI - are the Rockies and the great rivers in this, the smallest, quietest and most densely populated of all the country's provinces. You are seldom out of sight of the sea and nothing is much more than an hour's drive away.

"When I first set foot in PEI I felt I had gone back 25 years in time," recalled a friend.

If you want to see Canada but feel you cannot wrestle with Toronto, or deal with the exotic way the Quebecers pronounce the language of Cormier and Molière, or travel far into the Yukon, then the gentle city of Charlottetown, PEI's capital, is your destination.

It is not necessarily that the island is better suited to the over-50s, but PEI would ideally suit those who like holidays in, say, Lincolnshire or Rutland. Its red earth yields crops of potatoes which find markets all over the world. The shores provide lobsters, oysters and mussels by the ton. It is a tranquil, gentle beauty.

The legacy of the Scots settlers who came when the British redcoats drove out the French 2½ centuries ago is to be found all over the island, not least in the quiet sobriety that supported the prohibition of alcohol for decades and which still keeps the sale of liquor under tight controls.

Alcohol is sold in no more than 16 shops and never on Sundays; you have to be 19 to drink it and even if you are 90 you are forbidden to take a nip on any of the public beaches. The effect, it must be said, is restful rather than puritanical.

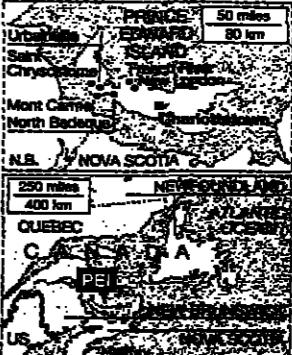
The Irish, too, have left their mark and there is a regular *ceilidh* every Friday night at the hall of the Benevolent Irish Society on the edge of Charlottetown. On the night I was there the Chaisson family, father, uncle and sons, gave the packed and enthusiastic audience a performance of fiddling which would have graced any *ceilidh* in Ulster where many of the island families have their roots.

The Micmac Indians have a small reservation on the north coast and French-speaking Acadians live in villages with names like Mont Carmel, Urbainville and Saint-Chrysostome.

The main historic monu-

men in the capital is the colonnaded Province House, where delegates from what were then the separate colonies of British North America took counsel together in 1864 worried by the possibility of a US invasion and defence cuts in London. Three years later the Dominion of Canada was born and Charlottetown has since called itself the Birthplace of the Confederation.

There is one enormous and unique tourist attraction on PEI but it is a characteristically gentle one. The island was the birthplace of Lucy Maud Montgomery, author of the young people's classic, *Anne of Green Gables*, which she set among the village, creeks and sand dunes of the north shore of



the island. The adventures of Anne, her heroine, the orphan with freckles and red hair done in pigtails, took place around the villages of Cavendish, New London and French River.

For many who have read the books, the area is a place of pilgrimage, especially Montgomery's birthplace in New London. Japanese girls, in particular, want to visit the island of their dreams. At the house at French River, where the author married her fiance, Ewan, you are likely to come across the wedding of some starry-eyed Japanese pair. There are on average 12 every week.

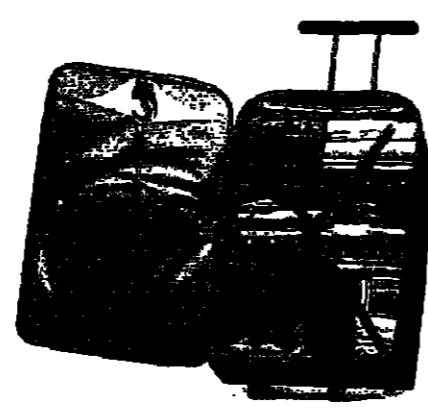
Golfers have 11 courses to choose from, all within sight of the sea, the fees in some places costing less than \$10 a round. The ideal way to visit is to put up in one of the hundreds of bed-and-breakfasts, many run by local farmers' wives.

I stayed with Gordon and Ruth Ann Waugh on their farm at North Bedeque in great comfort and learnt more about the island and its life over an enormous breakfast than I could have done any other way.

At \$20 a night, it was a splendid bargain.

■ *Air Canada (tel: 0990-247226) flies daily from London to Halifax, Nova Scotia, and Air Nova takes you the remaining 25 minutes to Charlottetown.*

ZANZIBAR POOF



To travel in traditional style is all well and good, but there are more convenient alternatives such as the Samsonite Ultra Transporter. This is because it is a well-organised luggage system (thanks to the horizontal shelves) which allows you to pack everything quickly and efficiently and even makes unpacking unnecessary. Anyone who uses their head will turn to the new Ultra Transporter.

Samsonite

July 1997

TRAVEL

OK, THERE'S NO NEED TO SHOUT...

It is half a world away from the wearily familiar rural Italy of Tuscany and Umbria. The Romans, who know everything, do not know with it; aware only that it is the poorest region in the country, which is enough for them.

No one would visit its capital for reasons other than passing business: even though, high above a horrid sprawl of suburbs, there are charms in the twisting, hilly streets of the old town.

There are other compensations there. The people have a reputation for being courteous and not shouting. They have yet to acquire the avariciousness and surtiness of their more sophisticated cousins. There is, as well, the pleasure of not being among other tourists; of restaurants where the harsh voice of the expatriate raised in praise of the local vino and extra vergine is unknown.

The history is long, back to hunter-gatherer times. Its legacy is rich, in the castles, the medieval villages, the ruins of abbeys and Roman settlements. And there is unexpected natural beauty: snowy mountains, sweeping forested hills, sweet-smelling meadows, untainted streams.

The region is called Molise. It lies to the south of Abruzzo, to the north of Campania, stretching from the high spine of central Italy to the smooth waters of the Adriatic. There is no reason why I should ever have gone there; except that my uncle, a retired Royal Navy officer who lives beside Horace's villa near Tivoli, had sung its praises – and that I should have had an invitation from an angling-mad architect in Rome to go with him to fish for trout in its main river.

It was early May, just post-election in Britain, and a good time to turn from hot air to rivers. The rain was beating down as we passed

...especially in Molise, whispers Tom Fort, who finds some of the Italian region's secret treasures



Molise: a world away from familiar Italy, with the pleasure of not being among other tourists

through Ovid's elegant birthplace, Sulmona, on our way south. We picnicked during a brief pause in the downpour, and arrived in Isernia, which is about the size of Wokingham, and one of Molise's main centres of population.

It was damp and doleful, and every shop and bar was shut. Isernia gives the impression of having had the stuffing knocked out of it by

a succession of natural and man-inflicted disasters, culminating in a calamitous earthquake in 1984.

The flaky houses lining the dark, cobbled streets were clamped together by steel girders, the only animation provided by an old man who, in response to a shout from a little boy, produced unerringly faithful imitations of a whining dog and a donkey demanding its break-

fast. By evening we were in Campobasso, the capital. Its Samnite origins (the Samnites were the indigenous people who held sway after the Greeks and Etruscans, and who were themselves elbowed out by the Romans) are celebrated in the lavishly appointed Museo Provinciale Samnitico, where cabinets of uninteresting rusty arrowheads and knives alternate with highly

speculative reconstructions of fifth century BC costumes.

Down below, the main square heaved with people, a heartening affirmation of the enduring appeal of the evening stroll, the *passeggiata*. Up and down they sauntered in their best clothes: three elderly men, arm-in-arm, leaning inwards so as not to miss a word; teenage girls giggling in clusters; youths

gathered unthreateningly around their scooters and motorbikes. Families arrived by car from the outskirts, then steeped out into the dusk to find their friends.

More peaceful still was the Roman town of Saepinum, now Sepino, a few miles south of Campobasso. In general, I am not much of a ruins man. But here enough survives – in the amphitheatre, in the remnants of

A tedious retracing of steps later, we set off to walk the lower slopes. It is magnificent tramping country. The woods split by bare, rock-strewn ridges where horses graze, their bells sounding through the marvellous air; the meadows bright with orchids, anemones, campion and pansies. Or it would be, if one could lay hold of a decent map. "Non esiste," said the hook-seller in Campobasso when I asked for one.

So, by gradual degrees, we came to Colli Volturno, where I was to meet my friend from Rome and fish the Volturno for Italian trout. The tragic character of this adventure requires a more extended narrative than I can give here. Suffice it to say that divine intervention, in the form of a succession of cloudbursts, meant that of actual angling there was almost none.

The consolation, for which I was not wholly appreciative, was that we were able to round off our excursion by dropping in on what remains of the abbey and monastery of San Vincenzo.

Here, close to a crystal-clear stream which feeds the Volturno, Neanderthal man hunted and gathered; and here the Longobardi, or Lombards, chose to found the first religious settlement.

The terrifying Saracens put a stop to all that in the ninth century, killing all the monks and knocking down their monastery. A new one was built down the hill; and that eventually fell down because of earthquakes and neglect.

Now there are some ruins, and a crypt containing ancient frescoes of great rarity. The place is run by a handful of sweet-tempered American nuns, who will open the gates and tell you in quiet tones of the long troubled history, and ask you nothing for it.

■ Tom Fort flew to Italy as a guest of Italiatour, 205 Holland Park Avenue, London W11 4XB. Tel: 0171-371 1114.

planting began in the 1880s, taking advantage of the warm sandy glacial loams.

At first the crop was picked by hand and the stones removed manually to make pies and fillings. Just before the first world war, the industry was given a fillip with the invention of a pitting machine and the establishment of a canning company.

Today the cherries are picked by machine, which has largely done away with the hundreds of migrant workers that came for the harvest up until the 1960s.

As for fishing – many of the commercial ventures have closed. The net drying shacks and icehouses in towns like Leland have been converted to trendy gift shops and boutiques. But the sport fishing remains and flourishes. Control of pollution and restocking has meant that there are good catches of perch, brown and lake trout, steelhead, chinook and coho salmon.

Unlike the well-off Michiganians who charter local boats, the local Chippewa and Ottawa Indians have special fishing rights, reminding them of the time when the lake and the land was theirs, and theirs alone.

The land of the monstrous lake

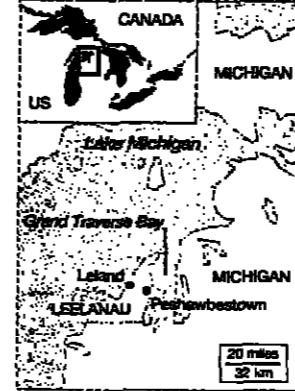
Christopher McCooey enjoys a family holiday in Michigan



Catch of the day: charter fishing on Michigan

Chris McCooey

Information



20 miles

as well as a 450-seater bingo palace, a 52-room motel and an Indian art store and gift shop. Today these business ventures provide the local Indians with a stable economic base.

The tourists attracted by gambling are not a recent phenomenon. They have been coming for more than 100 years, originally attracted to the area's peace and rural charm in contrast to the urban bustle of Detroit and Chicago to the south. Today Leelanau's quiet, clean land is popular for second homes.

longer has the expatriate population for a permanent British chaplain, but holidays and the high season maintain the Anglo-Swiss tradition.

The Glacier Express route proudly reminds you of the area's most famous local son, the artist Giacometti. There are other painters, too, though at first glance the locals seem unduly modest about the art on view. Signs to art exhibitions with the words "Not Vital" added had me puzzled: Swiss philistinism? Pragmatic advice for tourists with limited time? It subsequently emerged that Herr, or Monsieur, or Signor, Vital is an artist, though so far the international fame of Giacometti has eluded him. One wonders why.

■ *Suisse House*, St Moritz: 081 832 11 32, fax 081 833 85 24. *Grand Hotel Zermatterhof*, 41 37 955 66 00, fax 41 27 966 66 99. *Glacier Express*, booking obligatory for lunch: 081 22 14 25, fax 081 24 52 75.

We were deer shining. Driving at night through orchards and fields deer with a spotlight. Suddenly my young daughter squealed with excitement: "Dad, stop! There... in the tree. Meeko."

The raccoon, a central character in Disney's animated classic *Pocahontas*, was snug in the crook of a cherry tree. The black rings around his eyes made it look as if it had spent a week on the razzle. We watched each other for a couple of minutes before he backed down the trunk and shuffled off into the long meadow grass.

□ □ □

We had been trolling for three hours. Chugging slowly up and down out on the open water. Suddenly the fish hit 100ft down. Captain Jack invoked the Shroud of Turin: "Holy Sheet! About time." He leapt out of the wheel house, arms whirling and struck the lure home.

"Get yer ass over here, boy, and reel it in," he commanded my teenage son, thrusting the rod at him. Five minutes later, he had caught his first lake trout.

□ □ □

Two abiding memories of Leelanau.

The county of Leelanau is a peninsula that sticks out on the west side of the state of Michigan. Farther to the west, as far as the eye can see – and then some more – is fresh water. To the east is more fresh water, Grand

An express delight

Martin Hoyle takes a Swiss railway journey

Ireland, flowers ablaze, plant-decked chalets looking like overgrown music-boxes. The stops are frequent; the fact that locals take their train for granted as Surrey commuters take theirs in England – rather more so, actually – adds to the charm.

Sittings for lunch on the *rollende restaurants* begin at 11am. Food and wine are local, hearty and satisfying, courtesy of *Gourmino Graubünden*. The Glacier Express operates only in the summer for obvious reasons and is an ideal way to link stays in St Moritz and Zermatt, two nicely contrasted resorts. St Moritz is holiday centre, *tout simple*, and truth to tell rather characterless. You might as well stay just outside, at the Suvretta. This vast, palatial hotel goes back

to the turn of the century and still impresses with baronial, oak-lined halls, in one of which Nijinsky suddenly stopped in mid-dance to be taken away to hospital. Do wander around Zermatt, still a village and easily explored from the centrally situated Zermatterhof Grand Hotel. Less giddy and more bustling (although only horse-drawn vehicles and electric cars are allowed), Zermatt is a more genuine place, still recognisably Swiss. And slightly British, as I found by chance one Saturday evening as I followed the signs to the British church.

Music was coming from the little Victorian church inside, the English chaplain, a delightful Church of Ireland (Protestant) clergyman, was checking next day's hymns with his Irish Catholic wife. The organ accompaniment had arrived pre-recorded, a sort of ecclesiastical karaoke, but the couple had to play it through to see if its hymns had the same number of verses as their own books. Zermatt no

longer has the expatriate population for a permanent British chaplain, but holidays and the high season maintain the Anglo-Swiss tradition.

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CAK

Travel in a different class.

TRAVEL

South Africa had recently become fully democratic, all citizens were theoretically equal, and, in one of the country's better hotels, a guest had been waiting over 20 minutes for coffee. He politely asked the waiter if it might be expected soon. Scarcely breaking an already slow stride, the waiter turned, smiled broadly, and said: "Relax man. This is Africa."

Since then Africa has changed, especially the most southern part, and the hotel industry is fast learning that it has to compete, locally and internationally. It can be good news for coffee-drinking customers.

For the past three years, South Africa's more expensive hotels have mostly had it their own way. There were too few beds in the four-star and five-star category to cope with the influx of well-heeled business people and tourists which followed the 1994 general elections. Cape Town, in particular, was bursting at the seams during the peak summer season.

The Mount Nelson, the city's most venerable institution which was spoken of in the same breath as Raffles in Singapore, the E&O in Penang, or the Old Cataract in Aswan, increased prices by 30 per cent in 1995 and 1996.

South Africans grumbled, the more so when the Mount Nelson reacted to the fall in the rand by quoting in dollars. A room service hamburger now costs R110 (more than £15), the cost of a decent three-course meal elsewhere in the city, but the hotel still maintains high levels of occupancy.

This year, however, price rises will more closely track the inflation rate of about 10 per cent, reflecting both the extent to which South Africa has caught up internationally, and growing competition. More than 40 new hotels are planned for Cape Town alone, and, if the city is successful in its bid to stage the 2004 Olympic Games, most of them are likely to be completed.

More immediately, the Mount Nelson, for almost the first time in its 96-year history, has a real challenger. South Africa's other famous Nelson, the president, last week opened the Table Bay, the first hotel to



Cape Town: bursting at the seams in the summer but, at last, its famous Mount Nelson hotel has a real challenger

ate...update...up

□ **GREEN LEADER:** Adrift has been named Most Responsible Tourism Organisation by New Internationalist, Independent Travellers' World and Tourism Concern. The whitewater rafting operator's policies include daily advice to clients on litter management; not competing with tribal people for firewood, trading soap and razor blades rather than money with Ethiopian villagers; employing local fishermen... Inquiries to +44 0181 874 4999.

□ **BAY TRIP:** Gray Line coaches offers a \$35 day-trip from San Francisco taking in the Great Mall of the Bay Area - north California's biggest outlet mall - Silicon Valley's Tech Museum of Innovation, and San Diego's deeply eccentric Winchester Mystery House. Book on 415 558 9400.

□ **TOP IN HISTORY:** Which is the best of the UK's 1,500 historic properties? Next time you visit one, pick up a voting form for this year's NPI National Heritage Awards: voters could win a £1,000 antique voucher.

□ **NORMAN WISDOM:** On a four-night holiday to Normandy with Unicorn, you spend one night in a half-timbered building on the Seine, one in a rebuilt watermill, one in a 13th century manor house and one in an 18th-century chateau. Itinerary from 01622 534400.

□ **SEASON OF MISTS:** John Keats wrote *Go to Autumn* in Winchester in 1819, supposedly inspired by his walks through the city and country. Follow in his lambic footsteps with a new 50p pamphlet from the Tourist Information Centre: +44 01922 840500.

□ **AMMAN AND A CAR:** Take an £899 fly-drive break to Jordan this summer with Jasmin Tours (01622 531121); you could visit rose-red Petra, the Roman remains of Jerash, or Wadi Rum.

□ **GREECE IS THE WORD:** Argo Holidays says it has the biggest Greek island programme: the mainland and 31 islands in its brochure, Cyclades, Sporades, the lot. The only direct UK charter to Mykonos and Santorini, too. You can also get married on a boat in Kos. Call +44 0171 331 7070.

□ **SPOT GATORS** on the Amazon (their eyes reflect flashlights), with Bales: +44 01306 884397.

□ **LOST WORLD** sets can be visited on Universal Studios Hollywood's backlot tour.

□ **TREK** the Tatras, in Poland and Slovakia, with Sherpa (0181 577 2717); 14 nights from £995. John Westbrooke

The scent of competition

Roger Matthews on the changes in South Africa's top hotels

be constructed outside the former homelands by Sun International.

Built at a cost of £35m, and described as contemporary Victorian in style, its 330 rooms occupy probably the best site in the city. It is where the members of the International Olympic Committee will stay in 2004 if Cape Town gets the games.

From their rooms on the edge of the Victoria and Alfred Waterfront development, the élite will be treated to magnificent views over the sea, the port and, in the other direction, Table Mountain. They will also discover that a room service hamburger costs less than half the price charged by the Mount Nelson.

Jean Mestriner, the regional director of Sun International, says he is less concerned about competition than in setting new standards for the South African hotel industry.

"I am not out to destroy the Mount Nelson," he says. "It is good to have competition, but I want to be the market leader by setting standards, in quality and price. We cannot afford just to be judged by South African standards, but by those which apply internationally. It is increasingly a buyers' market, and we must react to that."

Mestriner claims proudly that his commitment to excellence involves visiting the hotel's toilets six times a day, to ensure they are as spotless as the rooms. The

last encouragement staff receive before emerging into the public areas is a sign which says: "We are ladies and gentlemen, serving ladies and gentlemen."

Up the road at the Mount Nelson, which the writer and explorer Sir Laurens van der Post first visited when he was five, the management has spent more than £9m rehanging to changed market conditions. Accommodation has been expanded to include seven buildings spread over a seven-acre garden site.

The image of this place used to be that we mainly catered for people of 65 or over. We had just one ancient cot for small children," says Luis Pinheiro, the general manager, refe-

ring probably to the one in which Sir Laurens slept. "But last year we went out and bought a dozen new coats, and we are hiring coaches to organise a programme for small children over Christmas. Our older regulars seem to enjoy having younger people around."

The Cape Colony dining room, recently opened, reflects the fashionable fusion of Oriental and western cuisine, but chunky and soft pastels set the bushed tone of the sitting room where guests take tea in front of the open fire in winter. There are also open fires, albeit gas-fuelled, in the Table Bay, and cucumber sandwiches, but the business centre is state of the art and the health centre offers

10-day fully inclusive programmes for the stressed and over-weight.

So far, the competing managers are being polite about each other and their respective hotels. "Personally, I think the Table Bay is a very nice hotel," says Pinheiro. "Especially for those people who like being attached to a shopping centre."

Mestriner also likes the Mount Nelson, but believes it is closely identified with a narrow section of the market.

"We have the best position in Cape Town. We are offering the best value for a wide range of people", he says. And in neither establishment would any waiter dare to remind customers they were in Africa.

A WORLD OF ELEGANT RESORTS

SPAIN

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PROPERTY



Short on space but big on charm

Grald Cadogan charts the chequered history of London's mews houses – from rough stable blocks to bourgeois living space

As recently as 1971, when Antoine Lurot founded The London Mews Company, central London still had mew properties that had not been converted to bourgeois living space but kept the loose boxes for stabling the horses.

Some were complete with wooden walls surmounted by iron railings, says Lurot. Others had been partly altered with the creation of a gage. There are even some remnants of horse-drawn life still to be found today.

The word "mews" is rooted in London. Around 60 years ago it was the name of the royal stables at Charing Cross which were built on the spot where the royal hawks used to be kept – or "mewed". A mew was a hawk's cage where the birds could moult.

By the 17th century, John Donne, poet and Dean of St Paul's Cathedral, used the word mews to describe non-royal buildings in an alley for parking carriages and stabling carriage horses.

A shortage of homes after the blitz made even the cramped mews houses look attractive

That usage survives today.

Mews were a significant social marker. They were attached to more important streets, squares, rows or crescents, where each smart house had its subsidiary mews house at the end of the garden, with room for the horses and carriages and humble accommodation for the stable staff above.

The fashion for mews living in the heart of London started before the second world war, lured by the fact that mews houses were available in Belgravia, among those who wanted to live in smart areas of London but could only afford the back alleys among the grooms and chauffeurs.

The war changed everything. The huge shortage of living space after the blitz made mew houses look attractive even with their cramped conditions. And, Lurot points out, there were many poor among the upper classes who faced the Labour government's income tax of 99p in the pound, but who still wanted

to be in Belgravia. The solution was a move to the mews. In the 1950s, mews houses grew in popularity. But it was not until the 1980s that they became part of a trend towards personal freedom that included espresso bars and the new Mini car. Radical chic had arrived. Since then, the mews market has never looked back.

Today, mews can still fulfil the semi-rebellious aspirations of the childless bourgeoisie because they remain, as they began, houses on the back side of the main property. But the name has enough cachet that developers building small town houses call them mews, even though they have nothing to do with horses.

Mews were rough old places, Lurot says. Even when converted, "They have been in a higgledy-piggledy way," which gives them charm. They need charm, as space is short – it should be possible to have one large room downstairs in the former stabling, and one decent-sized bedroom. But they do not have a back garden and open straight on to the road at the front.

Some have a garden on the roof. "But the planners do not like that," says Lurot, who finds that they have a disciplinary approach to mews, even though they were never orderly sets of buildings.

If a mews house has a garage, that is a great asset, since almost all mews roads now have council parking restrictions or, if they are private roads, parking is controlled by the estate or management company. In valuing a property, car space is as important as the living room and the bedroom.

A good example of a mews in Belgravia is 20 Chesham Mews, SW1. It offers an address in a smart area, a garage, a bedroom, and a 30ft drawing/dining room for £245,000 for a long lease (through De Groot Collis or Hamptons).

Number 25 is a larger property in the street, with three bedrooms, and costs £265,000 (through London Mews or WA Ellis, which also has a mews to let in the street for £275 a week). Mews-hunters must decide how big a premium to attach to an address in Belgravia.

A classic mews house in South Kensington is 15 Ensor Mews, SW7, off Cranley Gardens, with three bedrooms for £495,000 from Douglas & Gordon. The house has 49 years on the lease, but the garage is a separate lease – as is often the case – with nine years left, although this can be

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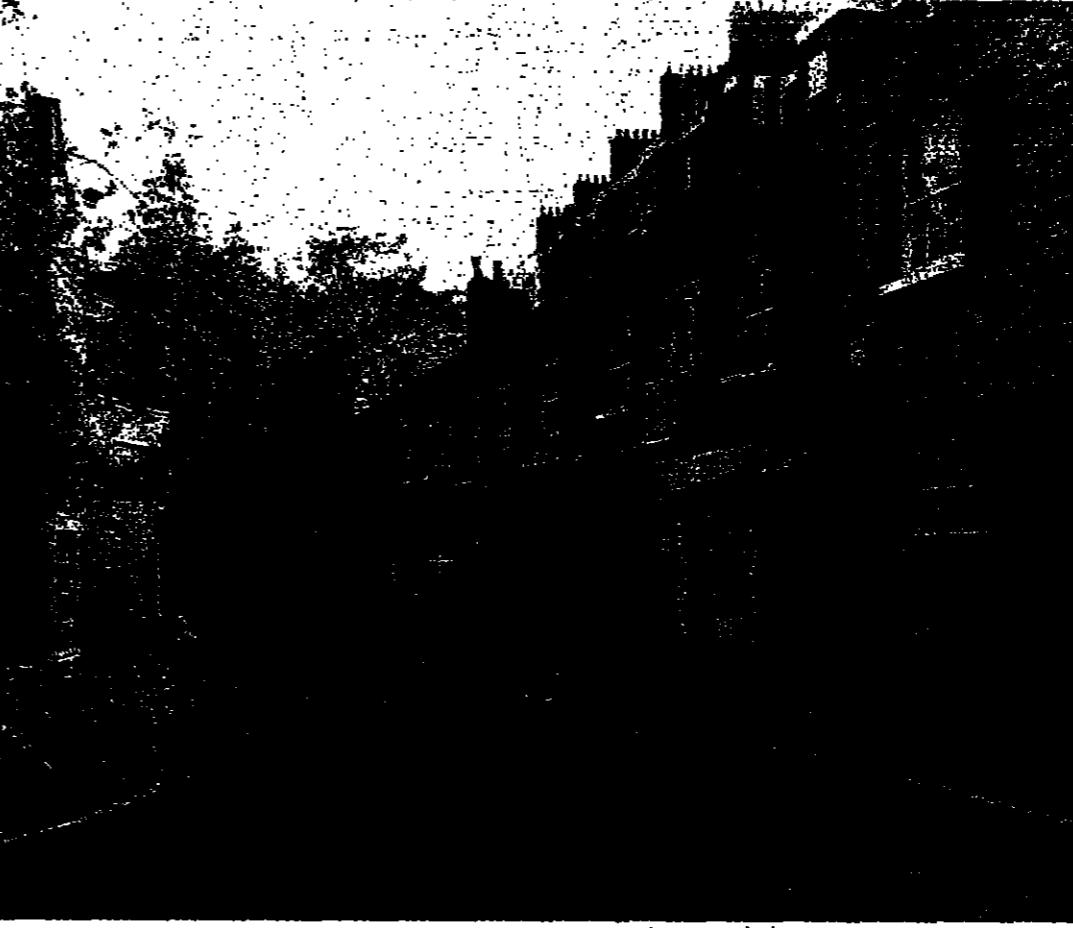
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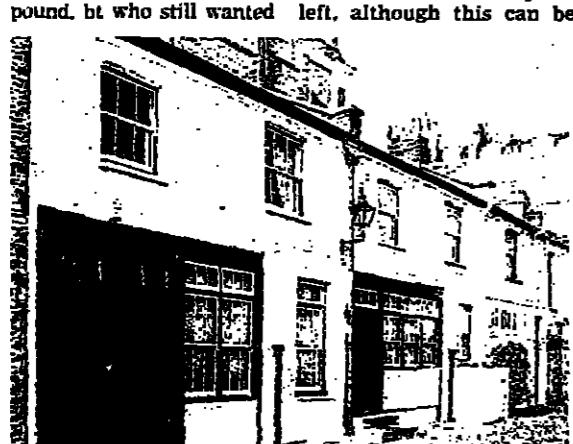
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PROPERTY



Daniel Defoe wrote in 1724: "From Richmond to London, the river sides are full of villages, and those villages are so full of beautiful buildings, charming gardens and rich habitations of gentlemen and quality that nothing in the world can imitate it."

The areas which so impressed him were essentially farms and market gardens, with a smattering of "country houses" and mansions. At that time, places such as Barnes, Kew, Ealing, Richmond and Chiswick were still rural villages. They remained that way until 150 years ago.

The railways transformed them. Stations such as Gunnersbury and Goldhawk Road on the District and Metropolitan lines were built in open fields. They were swiftly followed by merchants' villas, workers' cottages and suburban housing, transforming the fertile soil of west London into part of the Victorian metropolis.

Despite the vast scale of development, two characteristics ensured that the village areas retained their charm. First, any untouched areas have remained as lush, green open spaces. From the huge expanses of Richmond Park and Barnes Common to the pretty patches of Kew and Brook Green, west London has leafy space in which to breathe.

Second, these places have retained their village feel: they have a physical centre and a sense of community. Their desirability remains unquestioned.

Today, west London's villages are essentially home to the English middle classes. They have tennis clubs, good primary schools and specialist local shops. Alongside the popular chains selling formula pizza and pasta, they have their own good neighbour.

Breathing space in village London

Anne Spackman compares history and house prices in the capital's leafy western areas

borough restaurants. They are similar to the most prosperous suburbs found in every English city.

It has always been fashionable to criticise this suburban lifestyle. Since the sprawl began, architects have complained of a lack of strategic design or shape. Yet the life on offer remains popular, as prices confirm.

It costs at least £200,000 to buy a modest family house in any of the popular vil-

It has always been fashionable to criticise this suburban lifestyle

lages in west London. For a Victorian house with five or six bedrooms, prices are generally around £500,000, with the best homes fetching more than £1m.

The further north you go in Ealing, Chiswick and Hammersmith, the younger the population tends to be. From the riverbank in Chiswick, south through Barnes to Richmond, the area is dominated by families.

The profile of the buyers across the suburbs is very similar. They arrive as young married couples, often with one baby, having moved out from inner London, usually from a flat. They then trade up within the area as far as possible.

Ealing probably offers the best value. The one-time "queen of the suburbs", as Professor Roy Porter writes in his *London: A Social History*, it had, until 1911, the highest proportion of professional people and merchants of any west London area. It was famed "for its healthy environment, superior villas and good amenities".

The legacy of that Victorian prosperity is one of the largest stocks of substantial family houses in west London, though the gardens tend to be rather mean. Winkworth, which is strong in the family house market, says that apart from gardens, the main factors affecting values are nearness to schools and public transport.

Prices for four-bedroom houses with garages and good gardens, built in the 1920s and 1930s, or for smaller Victorian houses, are around £300,000. Popular areas include the Hammersmith estate and anywhere within five minutes' walk of Ealing

Broadway station. For five-bedroom Victorian houses, Michael Murphy of Winkworth says you should expect to pay between £375,000 and £450,000. For anything bigger, prices are likely to be in excess of £500,000, going up to more than £800,000 for the very best properties. "People spending that sort of money are coming purely to be near the schools," says Murphy. "Ealing is as far west as they are willing to go."

Chiswick, with its river frontage, has more cachet. Prices are likely to be around 15 per cent higher than in Ealing. A five-bedroom house in the popular Grove Park area will cost around £375,000 - if you can find one for sale.

Chiswick is developing a stronger flat scene around the shops, with first-time buyers paying between £120,000 and £200,000. Loft developers are also moving in. Winkworth has sold a large three-bedroom apartment with a 40ft kitchen and high ceilings in a converted pub, for £235,000. The warehouse-style apartments at Chiswick Green Studios near Bedford Park, the third phase of which was released last week, are setting some of the highest costs per

square foot in the area. At the other end of the Chiswick spectrum are the grand houses on the river, which so caught Defoe's eye. Knight Frank is selling a Cedar House, one of the principal Georgian properties on Chiswick Mall, with bay windows looking up-river to Hammersmith Bridge. The price for the freehold is £1.5m.

In the villages to the south of the Thames, properties tend to be large and prices high. Family houses are hard to find. Hamptons is offering a double-fronted, five-bedroom Victorian house in very good condition on Mortlake Road in Kew for £750,000.

West London's villages have seen few changes in the last 30 years, other than an increase in traffic congestion and aircraft noise. The exception is Barnes, where big changes are taking place. The village proper retains its historic centre around the village green and pond. But on its eastern boundary, Berkeley Homes is building two new developments almost large enough to constitute a second "village".

At Barnes Waterside the company is building 320 houses and flats around a communal wetlands area. And this month Berkeley announced it had bought the neighbouring Harrods Depository site, which will be turned into 250 flats and houses called Harrods Village. It will be interesting to see how this "Berkeley village" sits among its blue chip neighbours.

On the Move / Anne Spackman Buyers put off by tender

Last month Hamptons offered buyers a chance to avoid the pitfalls of the over-heated country house market. Hamptons put Flimwell Grange, a large Regency house on the Kent/East Sussex borders, up for sale by formal tender. This means buyers follow the Scottish system of having the house surveyed and valued prior to making a sealed bid on a specific date.

They tried this method of sale partly because the seller wanted it, but also because of the heavy demand and low supply for such properties.

More than 270 brochures went out to prospective buyers, but instead of having dozens of viewings, there were only three. When Hamptons contacted people to ask why they were not interested, they cited the formal tender.

Hamptons have since put the house up for sale at £250,000 by the normal method and had six viewings in the first week.

Colin Mackenzie of Hamptons' country house department, sees the experience of Flimwell Grange as evidence that British buyers may complain about the existing house purchase system, but they are not ready to swap it wholesale for the Scottish system.

He believes the English system will have to be improved gradually, through measures such as non-returnable deposits, as suggested by the National Association of Estate Agents.

Valley for sale

One of the Lake District's unspoilt valleys, complete with 17th century farmhouse and 950 ewes, is being auctioned in Penrith next month. Howsteed Brow lies in the valley between High Street and Place Fell on the southern tip of Ullswater. The farmhouse is a traditional whitewashed Lakeland cottage with two reception rooms, three bedrooms and numerous outbuildings.

Viewing takes place on Wednesday and Friday or through the agents, Clark Scott-Harden, in Penrith (01931-712352) and the auction is on July 23. Guide price for the whole is £200,000.

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PROPERTY / OUTDOORS



Where it can cost you a fortune to cross the road

Gerald Cadogan looks at the oddities of pricing in Notting Hill and Holland Park

Which side of the street shall we live on? And which end of it?" In smart west London there are plenty of streets in which housebuyers have to face exactly these dilemmas - and thousands of pounds can rest on making the right choices.

Neighbouring homes can be a world apart in terms of value in an area that puts a high premium on postcodes, parking spaces and pretensions.

Take Notting Hill, for example. The west sides of Ledbury Road, W11, and Chepstow Place, W2, are in Kensington and Chelsea. Owners qualify for the Royal Borough's unzoned residents' parking, which gives them a right to kerb space as far away as Sloane Square and Cheyne Walk.

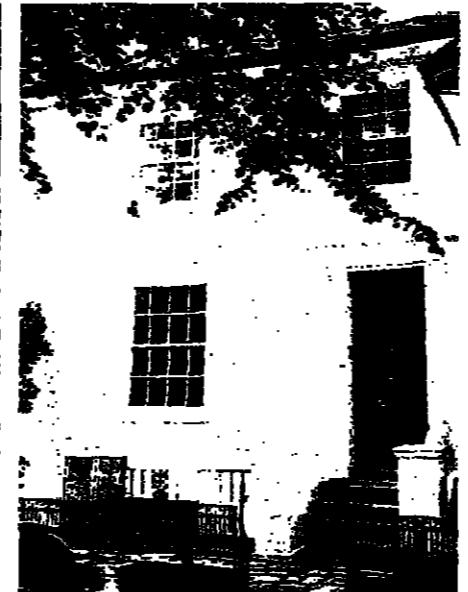
But the east side of these streets falls within the City of Westminster, where residents' parking is restricted to the immediate area.

To many buyers this invisible line down the middle of the road means so much that they are happy to pay a premium for the driver-friendliness of the K&C side, says Peter Young of John D Wood. A house on the west side of the street can cost 10 per cent more than a comparable house opposite.

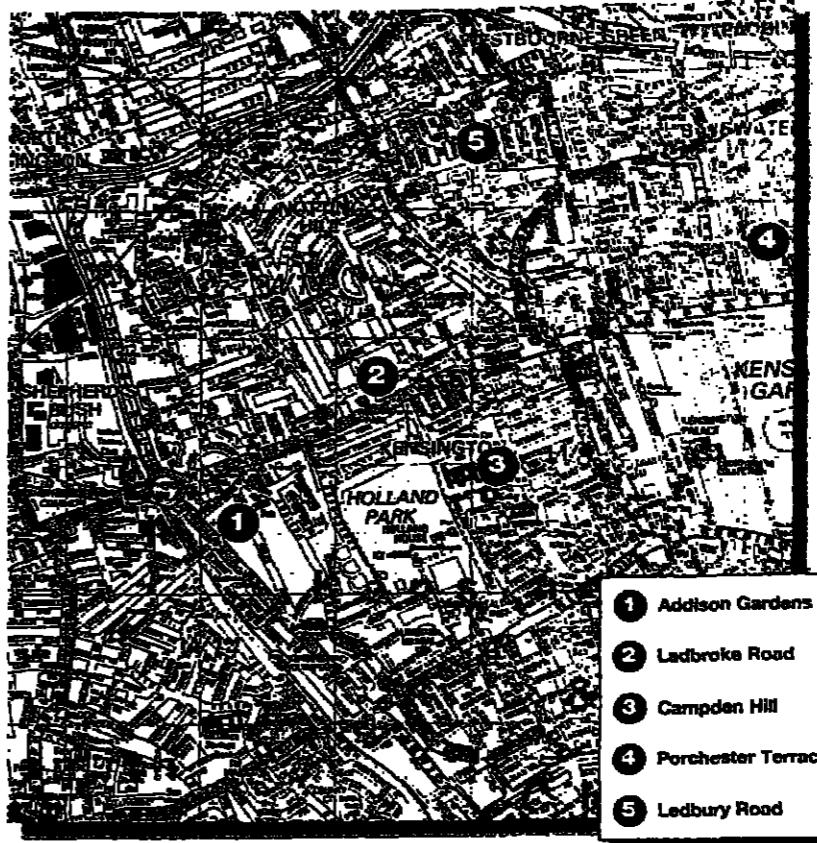
Addison Gardens (with Lower Addison Gardens), W14, is a good example of how the end of the street matters. While its east end lies in Holland Park country, it finishes westwards in Shepherd's Bush, where prices can be 20 per cent lower than for similar prop-



Where the 'right' side of the street counts: 70 Ladbroke Road, W11, (left) and 18 Addison Avenue are prime properties for sale



Smart west London



Source: Nicholson Central London map

erties east of Holland Road, a main north-south road which has now become the west border of Holland Park, and therefore of the whole of Kensington. In Addison Gardens, the change in values occurs at the traffic lights at the crossing with Holland Road.

The Holland Road frontier continues north along the M41 motorway spur (and the adjacent railway line), to turn east to follow the line of the elevated A40(M).

Apart from a large block of council estates in the angle of the motorways, property to the south and east of this line carries a Holland Park/Kensington cachet and premium.

There used to be a 10 per cent premium payable for living south of Holland Park Avenue in Holland Park

proper, says Young. But like-for-like prices have now evened out on either side of the road and, helped by City firms' bonus payments to staff, have risen between 25 and 30 per cent this year.

To the south, Holland Park merges into Kensington, which in turn blends into Knightsbridge and South Kensington. The slopes of Campden Hill are a safely smart area, "popular with US and German bankers", Young finds, "especially on the Phillips estate".

Novelist Rachel Billington has found moving from Holland Park to Notting Hill (Addison Avenue, W11, to Courtneill Road, W3), "like going from the suburbs to the centre of the city".

"We were in a lovely residential road," she says, "but it was no use for shopping or public transport." Now, she is in another world, domi-

nated by the market in Portobello Road a few minutes away, where she buys her fruit and fish - "and the prices are ridiculously good". There are also specialist shops with beads, jewellery and furniture.

The locals are mixed, with many up-and-coming young, single people and couples who enjoy a lively street life, she says. Ever more cafés seem to be opening, and the Westbourne Grove/Ladbroke Road area has almost more really good boutiques, she finds than Bond Street.

Westwards, life changes to the family-residential, communal gardens mode at Kensington Park Road. Streets are narrower, but the homes have gardens.

Eastwards, street life starts to change again where Westbourne Grove meets

Queensway, and Bayswater begins. The treat for Billingsgate in this direction is walking to the multiple cinema at Whiteley's, while she now has a good choice of Underground and bus routes and no longer faces the "awful walk along Holland Park Tube station".

Bayswater has some superb houses - in streets such as Porchester Terrace, W2 - but, Young says, they cost 20 per cent less than similar houses on the Phillips estate in W8. Julia Cook of Cluttons reckons they may be even more than 20 per cent cheaper.

Paddington station is one big reason for lower values in W2. The name at once suggests rooming houses and cheap hotels, as well as *maisons de passe* and anonymous visits to the world's oldest professionals before catching the 5.40 train.

Railway stations, Young mused, tend to make surrounding property values drop - King's Cross, for example, and Victoria, where Pimlico is the poor cousin of neighbouring Belgrave. And the former West London Air Terminal, now a Safeway store, had the same effect. "The area was full of cheap hotels, and quite a den of vice, when it was an air terminal," said Young. But they have now become flats and property values have risen.

On the north side of Holland Park Avenue, Jackson-Stops is selling a house in W2 for £285,000, and a larger one in Royal Crescent for £1.15m (a price which must include some

discount for being close to the main road). Near Holland Park station, 70 Ladbroke Road, W11, is a large semi-detached villa on offer from John D Wood for £2.85m - no different from the price it would command in W8, says Young.

But there is a strong contrast between Bayswater and Kensington. John D Wood is selling a three-bedroom house in Upbrook Mews, W2, for £280,000, but a similar house in Campden Street, W8, costs £575,000. Likewise, the agent offers a two-bedroom flat in Kensington Heights, Campden Hill Road, W8, for £285,000, as against a three-bedroom flat in Caroline House, Bayswater Road, W2, for £350,000.

■ Jackson-Stops, 0171-371 1435; John D Wood, 0171-371 0705.

Nearly 20 years ago, I asked one of the UK's greatest and most experienced gardeners, Lady Salisbury, which garden in the world she considered to be the most romantic. She surprised me by saying *Ninfa*. I had never heard of it but she went on to explain how old-fashioned roses grew wild in the remains of medieval churches in this Italian garden's grounds and how a forest of wisteria flowered over a wooden bridge across the most beautiful clear expanse of water.

Ten years later, I visited *Ninfa*, about 40 miles south of Rome, and wrote an article which attracted more inquiries than anything else I have written. We live in an age when people long to find far-away gardens rather than to look within 15 miles of their own door.

If they are foreign, so much the better. In general, there are few gardens without English influence worth a visit for any serious lover of flowers in France, Italy and Spain, let alone Germany. *Ninfa* is no exception because of a strong English connection in its background.

Since I last wrote, *Ninfa*'s fame has grown. It is tailor-made for the magazines which are always desperate to find something whose photographs are not too well known. *Ninfa* has also appealed to tens of thousands of Italian visitors who cannot see anything comparable in the rest of their country.

Ninfa's main openings are on the first and third weekend of each month. This year, the open days attracted nearly 20,000 visitors and 20 trained guides took separate parties around demarcated areas of the garden to avoid over-crowding. The garden's season is at its best in April and May. The days when you could look around in relative peace are gone but it is still worth the scrummage of a visit.

Several television teams which have visited the garden have found to their cost that *Ninfa* has no plant labels and their presenters have no idea what they are looking at. Its history is more accessible because good, short accounts continue to appear in English. The most helpful is *The English Garden Abroad* by Charles Quest-Ritson, which includes a bibliography.

It has been 10 years since the last of the owning family resided at *Ninfa* but I doubt if much of the charm or style has been lost, not least because of the tactful supervision of Lauro Marchetti, curator of *Ninfa*, trained by Ada's main garden was in a dif-



Alex Ramsay © Conde Nast PL - House and Garden

Gardening

Forest of wisteria and rose

Robin Lane Fox visits the most romantic garden in the world

Oddly, Roman antiquity is not one of them. The distinction of the place is its astonishing flow of water, which makes gardening in the English style possible as nowhere else south of Rome.

Ada visited *Ninfa*, but only for picnics among the ruins. She planted the first climbing roses on the buildings, and went on to cover the garden in roses. In her later life, the property passed to Prince Gelasio Caetani. The view is gaining ground that *Ninfa* was a woman's creation and owed nothing to an Italian contribution.

This is wrong. Prince Gelasio was a remarkable person. He had been trained as an engineer and played a large part in the draining of the Pontine Marshes around *Ninfa* which had helped made the garden uninhabitable between 1400 and 1900.

He also planted the major trees - magnificent Italian cypress and evergreen holm oak. Like Sissinghurst in Kent, *Ninfa* has a man's eye as the designer of its

climate, close to *Ninfa* at Fogliano. There, she planted flowers from Mediterranean and tropical homes and christened the place The Congo.

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Polemonium pandemonium

Clive Fewins meets the keeper of a special collection of rare plants

Dianne Allison reckons there are more types of polemonium packed into the garden of her small house on a council estate in a village near Consett, Co Durham, than anywhere else in the world.

Her collection - she has all 68 known varieties - is so large that it overflows her 38ft by 18ft patch into six neighbouring gardens.

As a safety measure friends in other parts of the estate keep duplicate specimens of some of the rarer varieties.

Apart from being keeper of the national collection of polemoniums, an honour she has held since 1992, Allison, 39, is having a busy year. A divorced mother of two, she will be showing at next month's Hampton Court Flower Show for the first time, but before that she takes her finals in plant biology at the University of Newcastle.

Polemonium - more familiarly known as Jacob's Ladder - has been an obsession of hers for 16 years and she hopes to bring them to a wider audience at Hampton Court. "Polemoniums have been curiously neglected. They were very popular in Victorian gardens and also in the 1950s and early 1960s, when the late Margery Fish and other specialists in cottage gardens praised their qualities," she says.

"They are hardy and disease-free. The longest flowering varieties start in April and continue until November. Some varieties are scented and many remain evergreen in winter. They are easy to propagate."

Jacob's Ladder refers only to the British species - Polemonium caeruleum. About 2ft tall and prolific in the right conditions, its flowers vary from china blue to deepest sky blue. It is native to the Pennines.

Other common names are Charity, Blue Jacket, Greek Valentine and Ladder to Heaven. The defining characteristic of all 29 known species is the leaf divided into paired leaflets, they form a ladder-like effect on either side of the stem.

Another old name for the plant is Abscess Root, which refers to

the medicinal qualities for which the plant was renowned. A former nurse, Allison first became interested in polemoniums because of these qualities. "It was reputed to have been used as an expectorant and for skin diseases, fevers and disorders of the throat, and for purging the blood," she says. "I find it good for bites and stings."

"Very few varieties are on sale in the majority of garden centres," she says, but they are slowly returning to popularity thanks to small nurseries in several parts of the UK that she has encouraged to propagate them.

In 1994, she was asked to cultivate a specimen of the rare variegated polemonium *Brise D'Anjou*, with its five pale blue petals and leaves with creamy-yellow edges. It had been rediscovered by chance in a garden in France and micropropagated by Blooms of Bressingham, Norfolk. Allison believes this variegated form is the same variety as the one that used to flourish in the UK.

She has also introduced three varieties herself: *Polemonium Northern Lights*, a hybrid of *Polemonium caeruleum* and *Polemonium boreale*, a variety originating from Alaska; *Polemonium Virginianum* White, and *Cottage Cream*, a sterile hybrid she cultivated from *Polemonium foliosissimum*, a variety popular in the 1860s and 1870s.

Other species come from as far afield as China and Japan, the mountains of Mexico, and the Himalayas. They are found in peat bogs, damp meadows, alpine crags and screes.

"None has been identified south of the Equator," says Allison. "Polemoniums like very windy, mountainous, cold, wet conditions, usually on north-facing slopes. I live in an ideal place to grow them, though we are on heavy clay here. So I use muck as a mulch to stop the soil drying out and as an organic feed."

■ Diane Allison, National Collection of Polemoniums, 10 The Chesters, Ebchester, Co Durham DH9 0PR. 01207-561923. Her booklet, *The Polemonium*, is available from this address for £2, including p&p.

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Armit Win

John Lane Fox

Sporting Profile

The man who could be buying the beer

John Barrett thinks a relaxed and repaired Rafter might win Wimbledon

It was Tony Roche's idea. "Let's play one more game for a beer," he suggests. For a group of Australians playing tennis, it is the most natural thought in the world. Owen Davidson ambles back to the baseline, pulling the cap down over his silver hair.

"You're not going to play right court surely, are you Fluff?" calls Patrick Rafter across the net, while grinning at his partner and new coach, John Fitzgerald.

"What did you call me?" snaps Davidson with mock anger.

"Sorry mate," replies the 24-year-old Queenslander. "I forgot I should be showing you old guys some respect."

A relaxing set with some of Australia's great past champions is exactly what Rafter needs on this singles semi-final day at the Stella Artois tournament at Queen's Club, London. Rafter, narrowly beaten on the previous day by the British lefty, Greg Rusedski, has just finished warming up Mark Philippoussis, his doubles partner this afternoon, will be playing Jonas Bjorkman of Sweden.

But before that was in Paris, concluding an unexpectedly successful campaign on European clay, the last surface on which you would expect an out-and-out serve-volleyer to succeed.

On the eve of the French Open, Rafter had reached the final in St Poelen, a small tournament in Austria where the clay-courters go to prepare for Paris. His confidence had been boosted at exactly the right moment. Taking advantage of the smaller, faster balls in use for the second year at the French Open, Rafter fought his way through to the semi-finals - his best performance yet at a Grand Slam championship. He could hardly believe it himself. "Never have I thought of reaching this far at the French Open," he said. "It's amazing!"

The laid-back Aussie was on a

roll. But could he maintain it? "You get to the point where you expect to win every time you go out," he said. "Winning is a habit... and so is losing," he added with a wry grin.

The winning habit was temporarily broken by former champion Sergi Bruguera - but only just. If Rafter had converted his 5-2 lead in the third to go ahead two sets to one he might have joined Ken Rosewall and Rod Laver as the only Australians to have reached the French final since the start of open tennis in 1968.

But he was not despondent. "It was a great two weeks," he said. "Sure, there's a bit of disappointment. I would have loved to have won. I had my chances... it was a good match but he was just too good."

Roche was in Rafter's corner in Paris, just as he had been in Sydney last February when, in the absence of Philippoussis, Rafter had led Australia's Davis Cup challenge against France, the holders. John Newcombe was in the captain's chair that day and tried to lift Rafter as he went two sets down against Cedric Pioline.

The crowd at Sydney's White City Club then got behind Rafter as he clung his way back to score a dramatic 3-6 7-6 7-6 victory that gave Australia just the start they had hoped for.

"They say you have your best and worst moments in Davis Cup and I'm just glad I had one of the best moments of my life," said Rafter. "That was one of the most satisfying performances I've ever had - it feels great."

When Rafter and Newcombe appeared on the third day, with evidence of their over-zealous celebrations clear to see, the officials huffed and puffed. The public loved them for reacting as all true Australians do in moments of victory but even so, Rafter felt it incumbent upon him to make a public apology.

For a man whose career has twice been threatened with



extinction through injury, this Davis Cup success was a sweet moment, one to balance the despair of enforced idleness. The worst moment had come on October 30 1995, the day he went under the surgeon's knife to repair the torn cartilage in his right wrist. "I'd played in pain for a year before the operation. I was just getting by in my matches," he remembers.

Inevitably, his ranking suffered. Twelve months after finishing the year at a career-high 21 he had plunged to 68. The Australian media were ruthless. Having been hailed as the next Pat Cash, he was now dubbed a failure.

The clear brown eyes gaze reflectively towards the middle distance. "It's only when you can't play that you realise how much you love to play and start to appreciate what you are missing. It's all part of maturing as a person," he said.

As the third youngest of Jim

and Jocelyn Rafter's nine children, Patrick had a head start in the maturing stakes. His three older brothers didn't let him get away with anything but were there to offer help when needed. Geoff was the best tennis player in the family until Patrick passed him, and now acts as his occasional coach and travelling companion.

Patrick spent the first eight years of his life in Mount Isa, a country town of 30,000 souls deep in the north Queensland outback and 500 miles from Townsville and the Barrier Reef coast. "It was very dry and very hot... in the middle of the desert really," he remembers. "I started to play there when I was about five. Ian Ayre used to come out to give clinics for the kids. But I played a lot of different sports at school, like soccer and athletics."

"Everyone in Mount Isa seemed to be keen on their sport. Not much else to do, I suppose. "When I was eight the family moved to Eumundi on the Sunshine Coast. I used to get tennis coaching from Gavin Yarrow in Nambour and then from Gary Stickler in Brisbane. I learned a lot from him."

There were other lessons still to learn. The comeback in 1996 had sputtered to a halt after just two tournaments. Along with more pain in the wrist, there were problems with an ankle. Returning at the Hong Kong tournament in April after a 12-week gap, Rafter struggled to find his confidence.

Not until he got back on grass at Queen's were there signs of a true return to form. A run to the quarters there last year and another to the fourth round at Wimbledon held out the promise of a reasonable end to the year. Then disaster.

At the US Open in September

a pain in the right elbow

announced the fact that he had tried to play too much too soon.

A severe case of tennis elbow

ended Rafter's year on a dismal note.

"I wasn't taking any anti-inflammatories then. Now I live on them," he said. "It's the only way I get by. I'm playing well now and I just want to go on like this for as long as I can."

Going into Wimbledon as the No 12 seed, Rafter has a better than average draw. A first round match against South Africa's Grant Stafford should be within his compass. What lies beyond does not concern him. "I never like to look beyond the next opponent," he says.

In fact, Michael Chang (5) is cast as his opponent in the fourth round - if the American can improve on past form at Wimbledon, where he has never lived up to his world ranking.

Beyond Chang would lie Yevgeny Kafelnikov (3), then Pete Sampras (1) or Boris Becker (8) - if the seedings work.

(unlikely on recent evidence). Whatever the outcome, Patrick

Rafter knows he has done all that a man can do. He is super fit and has practised hard on the Wimbledon courts. "I'm playing as well as I've ever done, and I've got great support. The old guys are marvellous - aren't you Fitz?" he grins.

"What's your nickname, Patrick?" asks Fitzgerald. "You do have one? I mean whoever heard of an Aussie tennis player without a nickname?"

"I do actually but I'm not telling you what it is," replies Rafter.

"OK Skunk," calls Fitzgerald. "If you don't want to tell us that's fine."

"Who told you?" screams Rafter clutching the strand of white hair that stands out among the brown and that has always fascinated his many female admirers.

In this relaxed mood Rafter is capable of winning this year's title. If he does, he knows he will be buying the beer.

Even after a month in South Africa, British Lions coach Ian McGeechan must surely still be somewhat surprised to find the country's rugby fraternity in much the same state as when he left them 23 years ago - staring moodily at their navels.

The mood isn't quite as dark as it was when the 1974 Lions, with McGeechan a key man at centre, toured South Africa undefeated and clobbered the Springboks in the Tests. But some of the gloomy self-doubt, humourlessness and the tendency towards melodrama will be familiar and encouraging for a coach whose team left London in May as underdogs.

"We are standing at the funeral of South African rugby and nobody's crying," said Northern Transvaal coach John Williams.

Not everyone has been so maudlin, but plenty of people are nervous. "Lions add to gloom over Boks" was the headline in the country's largest Sunday newspaper last weekend, after the Lions thrashed Natal.

But the cloud of apprehension that will hang over

Newlands for today's first Test hasn't just been generated by the Lions' increasingly authoritative form. The slow chipping away at the self-belief of the 1995 World Cup winners has been going on for more than a year now.

On the field, there was a home series defeat by the All Blacks last year and a comprehensive thrashing this season of South African provincial teams by Kiwi and Aussie opposition in the Super 12 tournament.

Out in the stands and in society beyond, a string of crass blunders - including the clumsy axing of skipper Francois Pienaar and the exposure of former coach Andre Markgraaf as a racist - has squandered virtually all the goodwill generated during the 1995 World Cup triumph.

Now everyone is in

South African Rugby Football Union (Sarfu) manager, youth rugby manager at the South African Rugby Football Union (Sarfu), makes it plain just how important role models are. "When we have our coaching clinics, we often find that every single player wants to play wing, regardless of size, shape or speed."

The inspiration to fly down the wing came from Chester Williams, the last (and only the third) black player to wear the Springbok jersey. Williams has been dogged with knee trouble but his successors, some feel, are being obstructed in other ways.

In a rare moment of candour, Sarfu's chief executive Rian Oberholzer said: "The national selectors' job is made very difficult by provincial unions not playing talented black and coloured players at provincial level. It

is becoming very clear to us that there are highly talented black and coloured players who are not being given a fair show at provincial level."

If what Oberholzer says is true - and he ought to know - then Sarfu's repeated denial that the game is in need of thoroughgoing change rings a little hollow.

The government certainly isn't buying it. The ministry of sport has put out a draft bill which would compel sports organisations to submit financial statements in respect of sponsorship contracts to the government for scrutiny.

"We are going to look into sponsorship and try to find out how much money goes into sport and how it is used," says director-general of sport, Mthobi Tshwane. The bill also stipulates that

lovers of the game, clearly believes that is because of the way the game's immense wealth is controlled. In Johannesburg, for instance, the power base of Sarfu president Louis Luyt. 80 per cent of rugby's assets including the magnificent Ellis Park stadium, has been transferred to a special trust.

The way the trustees are appointed is simple - Luyt picks them all. None of them is black. This arrangement is not unique. And it's no accident that a government task team set up in February to probe rugby was broadened from sports administrators to include Mervyn King, an ex-judge who recently headed a government commission on corporate governance, and Michael Katz, a corporate lawyer heading an investigation into the country's tax system.

A battle looms but no shots will be fired when the Lions are in town. The minister knows there wouldn't be much point. One section of society has its eyes anxiously on the bounce of the ball. The other, sadly, couldn't really care.

The day the Lions lost their roar

Any British Lions Test is an important sporting occasion. But something went out of the three-match series against South Africa, starting this afternoon in Cape Town, when Lions scrum-half Robert Howley left the field last week in Durban nursing a dislocated shoulder.

Complexity is at once the great virtue and vice of rugby union. The overall picture of any match comprises an immense variety of sub-plots. Howley's misfortune, putting him out of the rest of the tour, eliminates one of the most compelling - direct confrontation between the world's best scrum-halves, Howley and the South African Joost van der Westhuizen.

They have met before, when Wales played South Africa last December. Van

der Westhuizen came out well on top that day, scoring a hat-trick in the Springboks' 37-15. But, as the South African himself has admitted, it was hardly a level-terms contest, with the Springbok pack so dominant that he had a much easier ride than Howley.

The three-Test series should have seen Howley operating with more competitive forwards, as well as offering the twists and turns a series can offer - a possibility epitomised by the brilliant team that split the series with South Africa back in 1985. The 1997 Lions must hope that one of the trio of young Englishmen - Matt Dawson, Austin Healey and Kyran Bracken - now contending for selection can make a similar impact.

They will still have to reckon with the intimidat-

ing opposition of van der Westhuizen. Scrum-half is one of the most complex and demanding positions in the game, the key link between forwards and backs with possibly more, faster tactical decisions to make than any other player. Given split seconds, they have consistently to make the right decision whether to kick, pass or run - and tackle.

Van der Westhuizen, 27, is useful in all phases but it is as a runner that he has made the greatest impact on rugby imaginations. South Africa's back division has resembled England in recent years - packed with big, strong, straight runners who tackle hard and are difficult to halt in flight, but lack a

little of that capacity for surprise essential at the very highest level. There have been two exceptions to this. First, full-back Andre Joubert, who combines a relaxed elegance that allows him to make the game look easier than almost anyone else now playing, with a physical commitment that saw him through the World Cup semi-final and final with a seriously injured hand. And van der Westhuizen, who complements a centre-like fit, just-under-14-stone physique with an ability to accelerate and swerve like an electric eel.

Today will be his first meeting with the 1997 Lions - he was at a Springbok

training camp when Northern Transvaal beat the Lions 35-30 in Pretoria a fortnight ago. A trademark try in last week's test against Tonga dispelled any suggestion that he might lose form amid Northern Transvaal's moderate efforts in the Super 12 competition for the top southern hemisphere provincial teams, where they failed to make the play-offs. A searing blindside break, followed by a precisely judged chip past the last defender and unmatched acceleration to touch down in the corner. Any watching Englishmen will have been reminded of an even more spectacular score at Twickenham in late 1995. Tradition holds that the



Intimidating: Joost van der Westhuizen

AP Wire

Natal have restored confidence after the setback in Pretoria, and it is possible that South Africa may be a little shaky after an enforced change of coach and an early season spent being pushed around by New Zealand provinces.

Anyone wanting to beat them has to hold a tough and combative pack, contain the brilliance of Joubert and van der Westhuizen and then find something of their own to catch out the defence of the resilience of which won the 1995 World Cup.

With Howley there to start the backs flowing and keep the Springbok back row endlessly worried by the possibility that he might break himself, it would have been an immense task. Without him, it may just be too much to ask.

Huw Richards

John McGehee

JULY 1997

INTERNATIONAL ARTS GUIDE

What's on in the principal cities

■ AMSTERDAM

AUCTION

Christies Amsterdam
Tel: 31-20-5755255
● Van Brusselse Kool tot Delfse Drift: highlights include pieces of 17th, 18th and 19th century porcelain; Jun 25

CONCERT

Concertgebouw Tel: 31-20-6718345
● Koninklijk Concertgebouworkest: with conductor Michael Gielen in works by Ives, Kargel and Stravinsky; Jun 28

EXHIBITION

Nederlandse Scheepvaartmuseum
Tel: 31-20-5223311

● Maritime Masters, 1600-1800: exhibition featuring 100 drawings providing a varied image of shipping at the time of the Dutch Republic. The works reflect shipping's status as the principal pillar on which the country's economic and political power rested; to Jun 30

■ BALTIMORE

EXHIBITION

Walters Art Gallery
Tel: 1-410-547-9000
● Images in Ivory: Precious Objects of the Gothic Age: exhibition featuring approximately 100 surviving examples of ivory carving, offering a rare view of private life during the Gothic period (13th through 16th-century Europe). The display includes mirrors, combs, and boxes decorated with themes from romance literature, as well as a number of statuettes and relief carvings with Biblical themes; from Jun 22 to Aug 31

■ BARCELONA

EXHIBITION

Museu Picasso Tel: 34-3-3196310
● André Derain 1904-1912: display of 60 works by the French artist, concentrating on the years 1904-12, when Derain established a lasting friendship with Picasso, the two artists becoming major influences on each other's work; to Jun 29

POP

Palau Sant Jordi Tel: 34-3-4262089
● Supertramp: performance by the British rock group; Jun 26

■ BERLIN

CONCERT

Konzerthaus Berlin Tel: 49-30-203090
● Russische Chöre und Orchester: with conductor Karol Borsuk in works by Prokofiev, Borodin and Rimski-Korsakov; Jun 26

EXHIBITION

Bauhaus-Archiv/Museum für Gestaltung Tel: 49-30-25400278
● Houses & workplaces: exhibition examining the Breslauer Projekt of 1927, when the Bauhaus was commissioned to produce architectural plans for the German city of Breslau (now Wroclaw). On view are models, drawings and plans for a total of 28 buildings and 105 houses; to Aug 31

OPERA

Deutsche Oper Berlin
Tel: 49-30-3438401
● La Bohème: by Puccini. Conducted by Rafael Frühbeck de Burgos. Soloists include Fernando de la Mora, Ralf Lukas, Peter Edelmann and Friedrich Molsberger; Jun 25, 27

■ BIRMINGHAM

CONCERT

Symphony Hall Tel: 44-121-2002000
● Alfred Brendel: the pianist performs works by Schubert; Jun 27
● Dionne Warwick: performance by the singer, accompanied by the BBC Concert Orchestra. The programme includes works by Bacharach and David; Jun 23

■ BONN

CONCERT

Opern der Stadt Bonn
Tel: 49-228-7281
● Messe: by Bach. Conducted by Thomas Hengelbrok, performed by the Balthasar Neumann Chor and the Freiburger Barockorchester; Jun 28, 29

■ BRUSSELS

CONCERT

Palais des Beaux-Arts
Tel: 32-2-5078200
● Orchestre Philharmonique de Liège: with conductor Pierre Bertholomée and violinists Kristof Barati, Albrecht Brünlinger and Alexander Zniderer, in works by Prokofiev, Brahms and Bruch; Jun 23
● Romeo et Juliette: by Berlioz. Conducted by Antonio Pappano, performed by the Orchestre Symphonique et Chœur de la Monnaie. Soloists include Ann Murray, Laurence Dale and Ildebrando d'Arcangelo; Jun 22, 25

EXHIBITION

Jubelparkmuseum Tel: 322741 72 11
● Art Nouveau: exhibition featuring furniture and sculptures by a number of exponents of Art Nouveau, including Gustave Serrurier-Bovy, Paul Hankar, A.J. Strymans and Georges Habets; to Sep 14

■ CANBERRA

EXHIBITION

National Gallery of Australia
Tel: 61-6-240 6411
● Jasper Johns: Prints 1968-1980: display of print work by the American pop artist famous for paintings and sculptures that provided twists on representations of everyday objects including flags, signs and beer cans. Johns' print work uses a range of techniques, from the latest technology



Janet McTeer and Owen Teale in Ibsen's 1879 play 'A Doll's House', now playing at the Belasco Theater, New York, in a production directed by Anthony Page

to traditional methods; to Jul 13

■ CLEVELAND

EXHIBITION

Cleveland Museum of Art
Tel: 1-216-2317340
● Glass Today: Recent American Studio Glass from Cleveland Collections. Exhibition providing an overview of trends in the field of glass making during the last 35 years, tracing technological developments that began in the early 1980s allowing artists to work in the medium cheaply and using less manpower; from Jun 22 to Sep 14

■ COLOGNE

CONCERT

Kölner Philharmonie
Tel: 49-211-4048020
● Marjana Lipovsek performance by the mezzo-soprano, accompanied by the pianist Anthony Spiri. The programme features works by Schubert; Jun 27

■ COPENHAGEN

EXHIBITION

Nationalmuseet - The National Museum Tel: 45-33 13 44 11
● Nimru and Nineveh Treasures from Assyria in the British Museum: display of Assyrian sculpture selected from the collection of the British Museum, including wall panels from palaces from the cities of ancient Mesopotamia, large decorated bronze bowls and a number of religious documents; to Sep 7

■ DRESDEN

EXHIBITION

Städtische Kunstsammlungen - Zwinger Tel: 49-351-4938169
● Frühes Meissener Porzellan: exhibition of some 300 objects of Meissener porcelain from three German private collections. The objects on display were made between 1725 and 1755; to Jul 13

■ DUBLIN

CONCERT

National Concert Hall
Tel: 353-1-6711888
● John Roche: performance by the baritone, accompanied by accordion player Noel Healy, pianist John Brady and narrator Maureen Fallon. The programme includes works by French and Burns; Jun 25

■ EDINBURGH

EXHIBITION

Scottish National Gallery of Modern Art Tel: 44-131-5568921
● Picasso: Works from the Collection and Works on Loan: exhibition of 25 pieces from the Gallery's Picasso collection, together with three additional paintings on loan. Included in the display is a rare early collage work and a number of books containing watercolour sketches; to Jul 30

■ FRANKFURT

CONCERT

Alte Oper Tel: 49-69-1340400
● Gidon Kremer: performance by the violinist, accompanied by the bassist Alois Posch and pianist Vadim Sakharov. The programme includes works by Piazzolla; Jun 23

EXHIBITION

Museum für Moderne Kunst

Tel: 49-69-21230447
● Change of Scene XII: display of contemporary art, including works by Vija Celmins, Alberto Giacometti and new acquisitions by Jochen Flinze, Andy Warhol and Cecilia Edefalk; from Jun 27 to Sep 28

■ GLASGOW

FESTIVAL

Glasgow International Jazz Festival
Tel: 44-141-5523552
● Glasgow International Jazz Festival 1997: this year's highlights include performances by the Nat Adderley Quintet, Cleo Laine and John Dankworth, Dionne Warwick, the Geri Allen Trio and the Joshua Redman Quartet; from Jun 27 to Jul 6

■ GRAZ

EXHIBITION

Joanneum Neue Galerie
Tel: 43-316-829155
● Egon Schiele: Leopold Collection. Display of work by the Austrian painter, featuring 152 works from the collection of Prof Rudolph Leopold. Schiele's work rejected the more decorative elements of the Vienna Secession, producing instead a series of distorted images and unnatural colours; to Nov 2

■ INDIANAPOLIS

EXHIBITION

Indianapolis Museum of Art
Tel: 317-923-1331
● Turner Watercolors from Manchester and Indianapolis: exhibition of 115 works by the British painter, examining his role in raising the profile of the watercolour as an artistic medium. The display features pieces from the collections of the Manchester City Art Gallery, the Whitworth Art Gallery at the University of Manchester and the Kurt F. Panzer Collection, part of the Indianapolis Museum of Art; to Jul 23

■ JERUSALEM

EXHIBITION

Israel Museum Tel: 972-2-6708811
● The Sami Dubiner Collection of African and Israeli Art: display paying tribute to the industrialist and collector of tribal and Israeli art and the owner of Galerie Israel, which represented a number of important Israeli artists including Yitzhak Danziger and Igal Tumarkin, both on show here; from Jun 26 to Sep 29

■ LONDON

AUCTION

Sotherby's Parke-Bernet & Co.
Tel: 44-171-9808080
● Impressionist and Modern Art, Part 1: highlights include a watercolour by Vincent van Gogh, 'Harvest in Provence', expected to become the most expensive modern picture sold in any European auction since 1990; Jun 24

CONCERT

Royal Festival Hall
Tel: 44-171-9804242
● Philharmonia Orchestra: with conductor Leonard Slatkin and pianist Emanuel Ax in works by Weber, Chopin and Tchaikovsky; Jun 24

EXHIBITION

British Museum Tel: 44-171-6361555

● The Ceramic Art of Sawada Chitaji: display featuring over 1,000 pieces by the Japanese artist, covering his work during the 1930s and later paintings on porcelain, based on the standard of imperial elegance for both contemporary Western Europe and the Islamic east; to Jul 6

■ DULWICH

Picture Gallery

Tel: 44-181-6335254
● Stephen Cox at Dulwich Picture Gallery: display of work by the British sculptor, who bases his work on the experiences of a northern European discovering the ancient stone-carving civilizations of the Mediterranean and beyond; from Jun 25 to Sep 28

■ GLASGOW

FESTIVAL

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■ LONDON

EXHIBITION

British Museum Tel: 44-171-6361555
● The Glory of Byzantium: major exhibition of the art of the middle period of the Byzantine Empire from the mid-9th through to the mid-13th centuries, when Byzantium set a standard of imperial elegance for both contemporary Western Europe and the Islamic east; to Jul 6

■ WHITNEY

Museum of American Art

Tel: 1-212-570 3800
● Frank Lloyd Wright Designs for an American Landscape, 1922-1932: exhibition featuring 100 drawings, architectural models and computerised reconstructions covering the American architect's most productive years. The reconstructions include San Marcos in the Desert, a resort hotel planned in the late 1920s; from Jun 25 to Sep 14

■ WHITNEY

Museum of American Art

Tel: 1-212-570 3800
● The Fine Art of Cricket: display featuring 40 cricketing paintings, including portraits of W.G. Grace, Sir Colin Cowdrey and Sir Garfield Sobers; from Jun 25 to Sep 6

■ NATIONAL

Portrait Gallery

Tel: 44-171-3060055
● BP Portrait Award and BP Travel Award 1997: exhibition of winners and selected entries from this year's BP Portrait Award competition, plus a small display of work from the 1996 Travel Award winner, Sadie Lee; from Jun 26 to Oct 5

■ TATE

Tate Gallery Tel: 44-171-8878000

● 1997 Centenary Displays: special display marking the 100th anniversary of the Tate and featuring a number of major works from the Gallery's collection, from Stubbs and Gainsborough to Matisse and Pollock; to Jun 25 to Sep 14

■ TATE

Tate Britain Tel: 1-212-239 6200

● A Doll's House: production of Ibsen's drama transferred from London's West End, starring Janet McTeer as Nora and Owen Teale as her husband. Directed by Anthony Page; to Jul 26

■ THEATRE

Belasco Tel: 1-212-239 6200

● A Doll's House: production of Ibsen's drama transferred from London's West End, starring Janet McTeer as Nora and Owen Teale as her husband. Directed by Anthony Page; to Jul 26

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Weekend Investor

Wall Street

Even the stars are not infallible

But for now, says Richard Waters, the market has chosen to run with the bulls

Wall Street got a reminder this week that even star performers of the mid-1990s bull market are not infallible. It came with profit warnings from two high-flyers in the computer industry: Gateway 2000 and Seagate Technologies.

The profits of technology companies have provided much of the rocket fuel that has driven the run-up in share prices. So any suggestion that the fuel tanks could be running low is liable to cause a degree of concern among investors.

There is an echo of June 1996, when profit warnings from technology companies led to a stumble in share prices. The market fell nearly 10 per cent before the fears of a profit slowdown were found to have been overblown and prices began an autumn surge. This time, the worries have not been in the ascendant, and isolated profit warnings have failed to prompt wider concern about earning power.

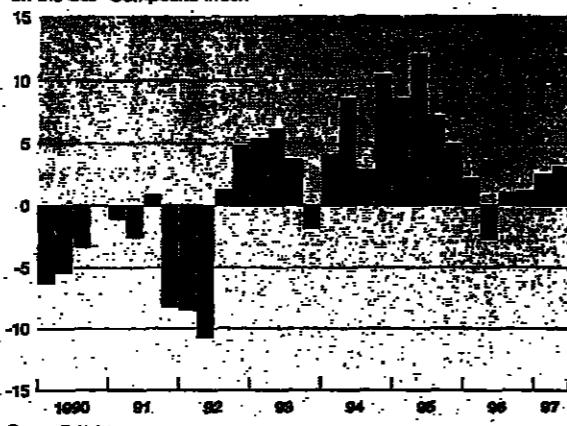
That is good sign as Corporate America gets ready to report its latest quarterly earnings early next month. However, it also prompts a broader question: have investors given too much weight to the good news on profits that will be coming out in the short term, while failing to look forward to slimmer pickings on the earnings front next year?

The lack of concern over profit warnings was evident from the way the Nasdaq composite, which is heavily skewed towards technology stocks, rebounded from the Gateway and Seagate news to reach record territory by yesterday morning. In many ways, this represents a more rational response than last year's concerns. Companies that know they are going to miss earnings targets normally act quickly to change expectations. The weeks before a quarterly earnings season are always littered with such news.

That doesn't take away from the generally robust condition of US computer makers, software producers and semiconductor companies. Wall Street expects the 31 per cent increase in operating earnings from this sector in the first quarter of the year to be repeated in the second and third quarters,

Earnings growth remains strong

Quarter-on-quarter % change in implied earnings on the S&P Composite Index



according to First Call, a company which tracks analysts' earnings estimates.

This echoes the wider earnings boom which has underpinned US share prices this year. Normally, corporate profits rise strongly after a recession then level off as the economic cycle turns. But in the elongated US economic expansion of the 1990s, profits have just kept on growing.

The chart alongside is based on the reported earnings of companies in the

Profits are one thing, the way the stock market values them is another

Standard & Poor's 500 index. Operating earnings have been growing even more strongly, with gains of more than 10 per cent in 20 of the past 22 quarters, says Chuck Hill, director of research at First Call. The two single-digit periods came last year: but Corporate America has bounded back, with a 15 per cent gain in operating earnings in the first quarter of this year and an expected 11 per cent rise for the second quarter.

This provides a solid foundation for share prices – especially if, as now generally expected, the Federal Reserve chooses not to engineer a rise in US interest rates next month. But profits

are one thing, the way the stock market values them is another. And here there is room for caution.

By whatever measure of earnings you choose to take, US shares are as highly valued as they have been at any time in the past three decades. Traditionally, high valuations like these are seen at a time when corporate profits are depressed: they reflect a belief that a cyclical rebound will follow. This time, though, the premium valuation has come at a time when earnings are already running around 25 per cent above their long-term growth trend, Hill points out.

The rival view is the one put forward by a new breed of super-bulls on Wall Street. It is summed up by Edward Yardeni, chief economist at Deutsche Morgan Grenfell in New York. US companies can continue to build their profit margins, he says, thanks to continued innovation and productivity growth.

Yardeni thinks the Dow Jones Industrial Average, now close to 7,800, will get to 10,000 by 2000, then hit 15,000 by 2005. Ralph Acompora, an analyst at Prudential Securities, said he thinks the 10,000 barrier will be reached within 12 months. For now, the market has chosen to run with the bulls.

Dow Jones Ind Average
Monday 7772.09 - 9.85
Tuesday 7760.78 - 11.31
Wednesday 7718.71 - 42.07
Thursday 7777.06 + 58.35
Friday

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FT Financial Publishing, Maple House,
149 Tottenham Court Road, London W1P 9LL, UK.
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FINANCIAL TIMES
Financial Publishing

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London

City's ardour swiftly cools

Philip Coggan mourns short-lived pairings

It seems only yesterday that they were the perfect couple, a love match. They would star alongside each other and attain new heights. But this week saw the break-up of Brad Pitt and Gwyneth Paltrow and of another romantic pairing Labour and the City.

Brad and his partner drifted apart (I'm free Friday nights, Gwyneth), but Labour and the City fell out over the subject that troubles so many couples: money. A Financial Times report indicated on Monday that Labour did, after all, plan to abolish the tax credit on dividends.

This, if not balanced by measures to encourage investment, would raise an estimated £3bn to help narrow the public sector borrowing requirement.

It would also cut the income of pension funds (and holders of UK personal equity plans) by 20 per cent if other factors may have

and reduce the actuarial value of pension schemes.

This might, in some cases, force the schemes into deficit, requiring their corporate parents to inject capital into the funds.

Cutting the tax credit would also reduce the yield on the equity market, which is already fairly low, below 3 per cent. That was its level just before the crash of 1987.

None of this is good news for the UK equity market. There was some talk that the FTSE 100 index could fall by 10 per cent in response,

on the grounds that non-taxpayers own around half the market and that their loss would be 20 per cent.

However, the change has not actually been announced yet and expectations that the credit would be abolished must have already been partly priced into the market. Nevertheless, Footsie's losses were substantial – 4 per cent on the week – even if other factors may have

played a part in the decline.

The long term effects of a change may be complex. The abolition of the tax credit would force pension funds to scramble around to replace their lost income, perhaps shifting into gifts. But it might also, paradoxically, encourage funds to buy more UK equities. UK shares will still carry a higher dividend yield than most overseas equities, so one solution to the income problem would be to sell European or Asian investments.

Another implication of the tax credit report is that the government is looking to raise money from the corporate sector. That is understandable in terms of the government's electoral promises. But it is more bad news for the market, since the consensus is that the consumer needs reining in.

The sharp jump in retail sales in May – a 1.1 per cent month-on-month rise –

appeared to confirm the long-held suspicion that consumer spending was about to take off. And by May, consumers had only enjoyed their windfall from the Alliance & Leicester flotation – the Halifax and Norwich Union bonanzas will show up in the June figures.

Money supply figures also appeared to indicate rapidly accelerating economy. The broad measure, M4, rose by 1.3 per cent month-on-month and 11.1 per cent year-on-year in May, well above the Bank of England's monitoring range. Bank lending to individuals and businesses hit £9.2bn in May, from £4.4bn in April.

One always needs to be careful of leaping to broad conclusions from a couple of statistics; the data are frequently revised and often erratic. Surveys of retailers suggest High Street spending is nowhere near as buoyant as the official figures indicate.

But a consumer boom seems an all too plausible prospect. The economy has been growing steadily since 1992, quite a long cycle by normal standards. Unemployment has been falling rapidly in recent months; house prices are rising, and quite quickly in some areas. The building society and insurance windfalls add that extra touch on the accelerator.

Pessimists such as Richard Jeffrey, Charterhouse group economist, think the rapidly accelerating economy will result in inflationary pressures and will force the Bank of England to increase

interest rates several times this year.

Base rates will be 8 per cent by the end of the year in his view, whereas short sterling futures, which indicate the market consensus on interest rates, are still pointing to an end-year level of just over 7 per cent.

Footsie accordingly suffered towards the end of the week from fears that the monetary policy committee, the new forum for deciding on rate changes, will act to head off inflationary pressure by raising rates at its next meeting.

A background of a strong pound and rising interest rates is hardly conducive to the health of corporate earnings. And, with the FT Non-financial index standing on a price-earnings ratio of just under 19 at the moment, the market is taking a measure of earnings growth on faith.

It is hard, in any case, to blame investors for taking some profits after the phenomenal run that carried Footsie up 16 per cent in the first six months of the year to its peak of 4,783.1 last week.

The post-election rally may, in retrospect, have represented the final burst of euphoria as the market indulged in its "honeymoon period" with Tony Blair and Gordon Brown. Now the City has cooled its ardour for "flash" Gordon, and its fervent hope will be that his nickname does not change to "crash" Gordon.

Barry Riley

Stocks lead 1990s race

Equities versus bonds – the saga continues

long-dated gilt-edged have been at all disappointing, generating 12.2 per cent a year over 7½ years.

But equities have begun to race ahead, having moved past bonds on a cumulative return basis in January 1996.

Their annualised 1990s total return is now 12.8 per cent.

This lead is by no means yet decisive, however. Equities could still fall before we reach the millennium. Moreover the

cent in each case there is still everything to play for.

Moreover there is one leading economy where bonds have won hands down. It is, of course, Japan, where stock market returns have averaged minus 6.9 per cent a year (in yen) since the end of 1989 while government bonds have returned a sturdy plus 7.8 per cent. Admittedly we now have Japanese bonds looking expensive on a 10-year

date at 2.2 per cent.

A combination of good economic growth and low inflation is ideal for equity markets

performance of the UK stock market has been unusually strong by international standards.

WEEKEND INVESTOR

■ Directors' share dealings

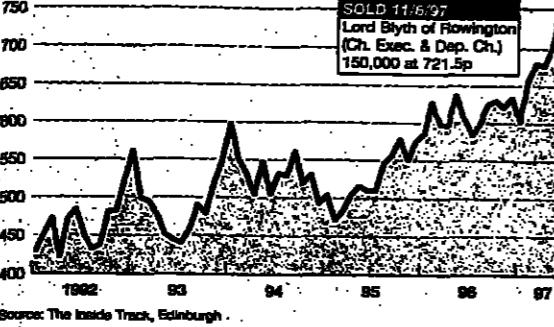
Transactions in own companies:

June 8-12 1997

Company	Sector	Shares	Value £'000	No of directors	Company	Sector	Shares	Value £'000	No of directors
Sales Boots	RefG	150,000	1062	1	Edinburgh Oil & Gas	Oil	50,000	13	1
Bradford Prop	Prop	4,000	12	1	Electra Data Proc	SSer	450,000	361	1
Devon International	EdPr	204,500	855	2	Ewart	Prop	20,000	12	2
Galaxy Media Corp.	InvT	20,000	34	1	Gartland Whalley	EngV	1,106,784	996	1
Hyder	Wr	2,500	21	1	Morrison Const	BCon	15,000	41	3
Intmedia Capital Gp	OthG	358,870	1513	1	MP Group	SSer	25,000	28	1
Keller	BCon	150,000	405	2	NFC	Tran	500,000	670	1
South West Water	Wr	3,000	21	1	Pax	Text	5,000	10	1
Spirax-Sarco	Eng	14,500	101	1	Paddington	BASM	25,000	30	1
Umecon	Eng	500,000	1800	2	Plantation & Gen	EdPr	25,000	19	1
Wet Group	Eng	12,000	30	1	Porter Chadburn	PP&P	475,000	109	3
Wetherspoon	Brew	1,050	15	1	Rekam	PP&P	14,000	38	2
British Land	Prop	8,149	47	1*	SEP Ind Holdings	Distr	134,350	42	2
London Clubs Int	LeHi	1,134,800	4369	2*	Slimme	Text	25,000	12	1
Rugby Estates	Prop	91,500	156	2*	South West Water	Wr	2,000	14	1
Tesco	RefF	458,080	1768	4*	Southern	Media	4,000	18	1
Purchases					Taylor Nelson	Media	100,000	53	1
Alliance Res	Oil	50,000	12	1	Telco Corp	Media	10,000	19	1
Argos	RefG	4,000	24	1	Town Centre Sec	Prop	38,834	35	2
BAT Industries	Tobc	28,168	181	2	Young & Co Brew	Brew	2,000	13	1
Cable & Wireless	Tele	55,000	814	4					
Capital Radio	Media	15,000	84	1					
De La Rue	PP&P	12,825	47	3					
Delancey Estates	Prop	60,000	44	1					

■ Boots

Share price (pence)



■ Results due next week

Company

Amount

Sector

class

Last year

Interim

Final

Dividend (p)

this year

Interim

FINAL DIVIDENDS

Company	Year	Pre-tax profit (£'000)	EPS (£)	Dividends (£)
ASDA	EdPr	872	1.93	8.81
Axa Technology	SpGr	Monday	0.85	8.88
Avon	SSer	1,25	4.25	1.25
Avis (UK)	SSer	23	4.7	2.5
BPS	EdPr	335	3.35	3.35
Castrol	AM	Friday	2.49	2.49
Charlott	EdPr	1,123	0.37	0.18
Charlott Group	EdPr	Thursday	2.57	2.57
Cirque	EdPr	Wednesday	0.85	0.85
City & County Management	SpGr	Wednesday	0.51	0.51
Debenham Tescos	Prop	Friday	0.5	0.5
East Surrey Hds	Wr	Tuesday	0.2	0.24
Eves of Leeds	Prop	Tuesday	0.06	0.06
Great Universal Stores	RefG	Thursday	5.5	5.5
Greene King	Brew	Wednesday	4.5	4.75
Habeco	EdPr	Tuesday	1.08	1.21
Hanover Inds	EdPr	Tuesday	0.55	0.55
Hawthorn	EdPr	Wednesday	1.75	1.85
Hogg Robson	SpGr	Wednesday	3.3	3.7
Iron & Steel	EdPr	Friday	2.5	2.85
Jones & Stephens	EdPr	Thursday	1.0	0.5
Kaleidoscope Computer	EdPr	Thursday	1.1	1.05
Kennell Systems	EdPr	Thursday	2.0	2.0
Kerrill Securities	EdPr	Wednesday	2.5	2.5
London Investments Mkt IT	EdPr	Wednesday	1.1	1.25
Majestic Wines	AM	Tuesday	2.2	2.25
Micronic	EdPr	Wednesday	1.5	1.5
Murphy Smaller Markets	EdPr	Wednesday	1.5	1.5
Neopost	PP&P	Tuesday	2.5	2.5
Philabron	EdPr	Thursday	1.0	1.0
Priva	EdPr	Wednesday	1.0	1.0
TSB	EdPr	Wednesday	1.2	1.25
Time John Group	EdPr	Wednesday	1.5	2.41
Vertu	EdPr	Wednesday	2.61	3.02
Vertuco Group	SpGr	Wednesday	-	-
Wessex Water	Wr	Wednesday	3.0	3.5
Xeler	AM	Thursday	-	-

INTERIM DIVIDENDS

Company	Year	Pre-tax profit (£'000)	EPS (£)	Dividends (£)
First Leisure	L&H	Tuesday	2.51	5.93
Lowry	Dyn	Monday	1.0	3.0
ML Laboratories	Plants	Wednesday	-	-
Scoular Latin Amer Inv	EdPr	Friday	-	0.58

(Dividends are shown net per share and are adjusted for any intervening cash issues. Reports and accounts are not normally available until about six weeks after the board meeting to approve preliminary results. 11: 1st quarter, 14: 2nd quarter, 18: 3rd quarter. 8: Yearly dividend. This list is not necessarily comprehensive. Smaller share companies are no longer obliged to notify the Stock Exchange of imminent announcements.

■ Last week's preliminary results

Company	Year	Pre-tax profit (£'000)	EPS (£)	Dividends (£)
Abellio Com	AM	Jan	-	(-)
Amber Industrial	Mar	3,000 (4,000)	11.0 (14.1)	3.75 (3.75)
Appli Telegraphics	TT	240	0.10	0.05 (0.05)
Arbeits Union	EdPr	2,200 (2,100)	1.0 (1.0)	1.0 (1.0)
Arco	EdPr	2,700	0.10 (0.10)	0.10 (0.10)
Brill Steel	EdPr	451,000 (7,122,000)	15.22 (34.28)	10 (10)
Budgit (UK)	EdPr	228 (1,028)	0.53 (2.46)	0.5 (0.5)
Business Post	Mar	18,700	21 (17.0)	10.5 (8.7)
Caledonian Inv	EdPr	70,000 (60,000)	2.05 (2.05)	2.05 (2.05)
Charnwood Water	EdPr	10,000 (10,000)	2.05 (2.05)	2.05 (2.05)
Comcast	EdPr	14,000 (12,000)	22.13 (15.68)	4.25 (4.25)
Capital for Cox VCT	EdPr	210 (-)	0.5 (-)	0.25 (-)
Carpartech	EdPr	32,200 (25,200)	25.5 (22.8)	10 (10)
Charn	EdPr	4,000 (4,000)	15.0 (12.0)	8.5 (8.5)
Corporate Exec	EdPr	1,000 (1,000)	1.14 (1.14)	1.1 (1.1)
Corporation	EdPr	29,200 (22,700)	26.26 (21.14)	3.75 (3.05)
Co. Insurance	EdPr	77,100 (73,220)	13.5 (13.5)	3.05 (3.05)
Davis Estates	Prop	1,085 (1,200)	4.33 (5.7)	3.0 (-)
Deutsche	EdPr	11,442 (10,540)	12.88 (11.50)	2.05 (2.05)
European Motor	EdPr	8,700 (8,670)	11.2 (11.2)	1.25 (1.25)
FBI	EdPr	20,620 (21,000)	16.0 (16.0)	12 (12)
FAC Smallers Cos	EdPr	20,645 (21,000)	3.42 (2.57)	2.5 (2.5)
Fairfax Group	EdPr	3,320 (3,200)	0.05 (0.27)	0.05 (-)
Fidelity Trust	EdPr	718 (2,000)	4.14 (2.8)	2.00 (1.5)
Fit Circs Inds	EdPr	2,500 (2,400)	-	0.1 (0.1)
General	EdPr	17,000 (20,000)	2.05 (2.05)	2.05 (2.05)
Hans (Philip)	EdPr	4,000 (4,000)	4.55 (4.55)	3.05 (3.05)
Hazardous Foods	PP&P	32,300 (34,800)	10.98 (13.50)	0.5 (0.5)
Hawthorn	EdPr	1,000 (-)	0.7 (-)	0.25 (-)
Hill Hse	EdPr	3,040 (3,510)	3.57 (3.07)	2.0 (2.0)
HIS UK Discovery	EdPr	148,18 (124,500)	1.85 (2.04)	1.0 (1.0)
HIV Int				

FT WEEKEND

True Fiction

With my pooter always at the ready

Kieran Cooke reflects on the joys – and serious health hazards – of his favourite pastime

On these balmy, long evenings there is nothing quite like a spot of pooting to set the soul to rest. I crunch through the copse at twilight, eyes ever eager. I dart round trees in public parks. I break away from garden parties, preferring to linger around the compost heap. My pooter is always poised for action, ready to home in on its prey.

It is surprising how suspicious and intolerant some people are. One young woman of an undoubtedly nervous disposition, seeing me in close proximity to a tree the other day, went so far as to summon officers of the law. I still bear bruises from an assault by two joggers in Kensington Palace Gardens. Worse still, during that incident the best pooter I ever had was smashed to smithereens.

Yet pooting is an entirely harmless pastime – at least it is if you do not happen to be a member of the insect kingdom. For those uninitiated, a few words of explanation might be in order.

A pooter is a long phial, usually made of glass, by which we entomologists (I classify myself very much an amateur of the species) secure our prey.

Let us say you are taking a stroll through Central Park. On a tree you happen to notice a strange insect. You whip out your ever-handy pooter and, with the utmost stealth, approach.

The lower end of the phial is placed on a spot over the insect, the other end between your lips. Halfway along the pooter is a little glass bubble. A quick intake of breath and, bingo, you have your beast trapped, ready to be taken home for analysis and identification.

By such humble methods some of the great entomological dis-

coveries of our time have been

research of this army of enthusiasts. Pooters, mostly home-made, came in all manner of shapes and sizes. The Cambridge man used a crude but highly effective device, fashioned out of a bit of cast-off chemistry equipment and a jam jar.

A stick insect enthusiast from Des Moines had a motorised pooter: unfortunately, it tended to vacuum up the jungle floor indiscriminately and was discarded after the American was threatened by being skewered to a tree unless he stopped his noisy activities.

Most intriguing of all was the pooter used by Dr Takagi, a dragon fly expert from Hokkaido. It was exceptionally long but so narrow it was almost impossible to breathe through.

"We Japanese have different

lungs to other people," said Dr Takagi.

It seems pooting has been going on for a long time. Cave paintings in the Ardeche show naked forms pooting about. Some shards found in Libya indicate the Romans were ardent pooter practitioners.

The literature on this somewhat arcane pastime is limited. Heidegger¹ is thorough but conveys little of the joys of pooting.

On the other hand, Milton-Chuval² is full of amusing anecdotes, though some feel he

obstructs the world of science. (M-C's reputation took a dive after the disgraceful business with the magistrate's wife in Guatemala: many entomologists

have never forgiven him for bringing some very unsavoury publicity to the innocent world of pooting.)

There is evidence that pooting is becoming more widespread. Our local pooting chapter is now linked to more than 20 similar organisations around the globe. Our magazine, *Puff & Poot*, and web site have a growing readership. Of course, to become an ardent pooter takes time and effort. The skill is best described as similar to blowing a trumpet.

You have to purse your lips and make the sharpest of breath intakes possible. If you are not quick enough, the insect escapes. If you are too enthusiastic, the insect will miss the glass jar, travel all the way up

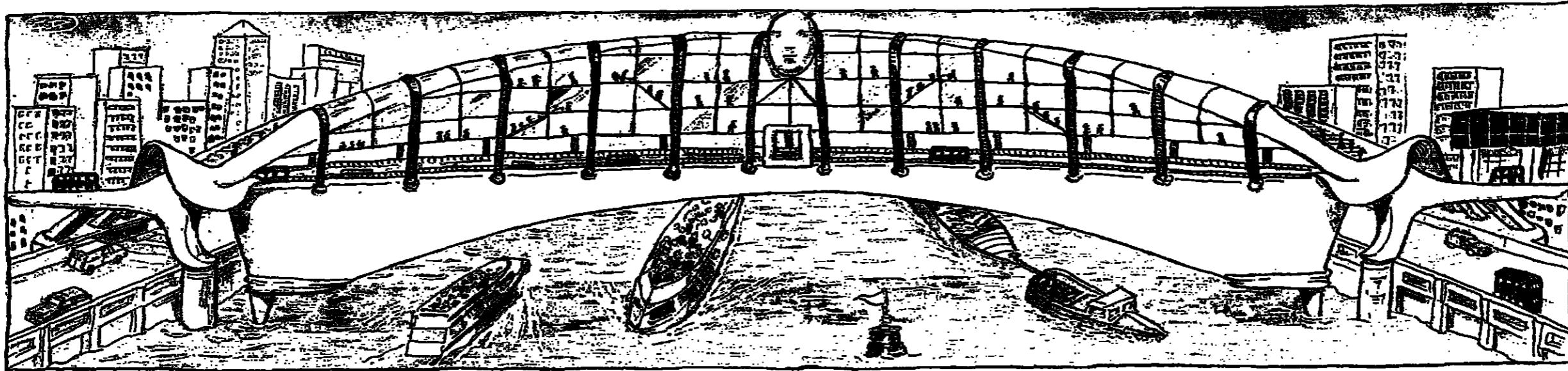
the tube and enter your mouth. This is not only distasteful but can also lead to disease and death. A while ago a Russian entomologist died after an over enthusiastic pooting session in a cave in northern Greece, where he had been collecting insects off bat excreta.

Then there was the man with the hacking cough I came across in Sulawesi. Late one night, over a bottle of the local "Hands Up" whisky, he confessed to a dreadful ailment.

"There I was in Richmond Park doing a bit of pooting round the trees. Suddenly, just at the critical moment, I had a big hiccup. I sucked up everything, straight into my lungs. Now I've got a tree disease."

I thought of him shedding his hair in autumn and growing it again in spring. "You mean you have Dutch elm?" I asked.

"No," he said, a volcanic cough erupting. "Sooty bark."
All through a love of pooting.
*Heidegger: *Mit Pooter und Lederhosen, Hamburg, 1982*
**Milton-Chuval: *A Sharp Intake of Breath, Oxford, 1979*



Metropolis

The thrill of being a bridge

Colin Amery follows Franz Kafka over the feature that is becoming a symbol of the millennium

Franc Kafka worried about being a human bridge. In one of his works he sensed the symbolic importance of bridges. He saw himself spanning gaps, lying down and taking the weight, both anticipating and dreading the moment when he would have to bear the burden of someone wanting to get to the other side. Being Kafka, he was also fascinated by the space beneath the bridge – the sublime magnificence and terror of the abyss.

It is not entirely surprising that bridges have become, quite suddenly, highly symbolic. There is a lack of any kind of consensus about the right way to celebrate the millennium – just reminding people that Christ was born around 2,000 years ago does not seem to be enough. So, enter The Bridge.

In London, there will be new bridges across the Thames that will magically end the divide between the unsightly south side of the river – from time immemorial severed from all the activity across the other bank – and the north side.

In Rome, there are plans for 20 new bridges across the

Tiber, using the one clear space in that crowded and monumental city to build hotels on the bridges for pilgrims.

If they are ever built they will provide a symbolic 2,000 rooms just for the holy year 2000 and be removed at the end of the year's celebrations. They will be suspended over the waters that divide Christian Rome from imperial Rome – the symbolic millennium – positively exhausting.

Another plan for a Millennium Bridge in Rome, by Cezary Bednarski with Studio E Architects, has an ambitious programme to link the new (and only) mosque in Rome, to the vista of St Peter's Basilica that can be seen along the Via di Porta Angelica. This bridge over the Tiber, offering an amazing viewing point in central Rome, will also

house pilgrims in hotels on each side of its length. Between the hotels will be a garden of paradise that represents one of the mythical elements that is common to Islam and Christianity.

In 1998, the Honshu-Shikoku Bridge will open, spanning the busiest waterway in Japan and linking two of the archipelago's islands for the first time.

It will be 2.5 miles long (4km), which makes it longer than its rival for the title of the longest suspension bridge in the world – the Great Belt Link which has just been completed to connect Copenhagen on the island of Funen to the other half of Denmark's population.

Meanwhile, the two banks of Tokyo Bay have just been linked by the world's longest stretch of under-sea highway, 8.5km worth of below-sea driving, combined with a

4.4km bridge. With the paying

customers due to begin crossing in December, the government now has to decide whether a planned toll of almost \$50 will convince them to take the long route instead.

In Dubai, the divisions between the two parts of the city, Deira and Bur Dubai, are about to be healed by the Dubai Pearl Bridge, designed by the Italian architect, Mario Bellini. The pearl diving industry was once one of the key commercial activities of Dubai, now a significant financial centre in the Middle East.

A huge auditorium that seats 2,500 people on the bridge is part of the pearl-shaped – and it appears to be held, pincer-like, by big buildings on either side. These include the United Arab Emirates Stock Exchange, dangerously poised over the very

shallow waters of the Al-Khor Creek.

By some Middle Eastern miracle of irrigation there will be a huge avenue of palm trees on the bridge for sauntering brokers. The Dubai bridge will also have a hotel and apartments, because bridges are not just made for walking and driving, but are returning to their former life as the settings for desirable residences.

London's old river Thames is the reason the city is there at all. The Romans saw London as the natural crossing point of the river and as the city grew, the first and only bridge, London Bridge, was built to be inhabited. The nursery rhyme, "London Bridge is falling down..." seems to share with Kafka an ambivalence about the security of bridges.

Nor can it have ever been

that agreeable to return to your home on the bridge beneath the rotting skulls of traitors and criminals set on the poles at either end to welcome you to friendly London. Today, the plans for

bridges over the Thames are both ambivalent and ambitious.

It is time that they were clarified so that the Thames in central London becomes the heart of the capital's millennium celebration.

There are three key sites.

The millennium footbridge, designed by Sir Norman Foster and sculptor Sir Anthony Caro, and linking St Paul's steps and the new Tate Gallery of Modern Art at Bankside, is well on the way to being realised. The design

bureaucracy barred the way.

The third site is more conjectural because it depends on the government's will to complete the transformation of Somerset House into a centre of cultural activity. Somerset House, before the construction of the Victoria Embankment, rose from the waters of the Thames like a Venetian palace.

Today, few people realise that the building straddles a sloping site from the river to The Strand. There is a wonderful opportunity for the development of this "secret site" beneath the buildings as a centre for musical performances. Its viability would be vastly enhanced if the terraces of Somerset House were linked to the terraces of the South Bank.

Kafka saw the danger and the potential excitement of being a bridge. London's astonishing cultural growth demands the same sense of risk and excitement. Three bridges will effect a transformation – and "no bridge, once spanned, can cease to be a bridge".

Arcadia

The village of lost dreams

A venerable Indian family looks back on its faded glories with Stefan Wagstyl

Jai Singh fingers the battered sword which once belonged to his grandfather. It is the family's last heirloom from the days before independence, when he ruled the village of Chanukhara on the northern edge of the north Indian plains. Even the silver scabbard has been sold to help clear debts, pay taxes and provide daughters with dowries.

It has gone the same way as thousands of acres of land on which the former Raja of Chanukhara held hunting parties for British officers. The family's retainers, elephants, and 1930s Austin motor car are all a fading memory.

Jai Singh, who is 62, can barely bring himself to talk about the past. He looks away in shame when his son, Arun Kumar Singh, 27, explains how the family brought ruin on itself. "There was so much eating and drinking. They continued to enjoy themselves although the money was no longer there. By the time I was old enough to realise what was happening it was too late."

Chanukhara retains an other-worldly air in which time moves more slowly than in the cities. It lies along a road about 5km from the nearby market town of Domariaganj, surrounded by fields of rice, wheat and vegetables. Agriculture brings two seasons of hard work.

but otherwise leaves people

free to let small tasks fill half a day. Life revolves around cooking, washing, fetching water and digging vegetables.

It is easy to see how, in this sleepy atmosphere, Jai Singh and his relatives let things drift. Even today, they refuse to do manual work. Their last remaining source of income is a small mill for grinding rice and wheat. But rather than operate it themselves, they hire a labourer. A neighbour says:

"They will not work. So those who once lived like kings are now beggars."

But not everyone has let

time slip. By the advent of the vote and of land reform, of fertilisers, pesticides and tractors, of television and the start of bus services to Domariaganj have transformed Chanukhara.

The population has swelled from about 1,000 to 3,500, but farm output has soared and so have the possibilities of education and work outside the village.

The demand for land is more intense than ever. The custom of dividing holdings equally among sons – and selling off parcels to raise money for daughters' dowries – has reduced the plots to the point at which they cannot support a family. Among thakurs, the dominant landowning caste, and rape their daughters. The advent of lower caste gov-

ernments in the 1990s in the state of Uttar Pradesh, to which the village belongs, has given some confidence to the lower castes. Thakurs say the former untouchables now complain to the police about the slightest offence.

People from different castes even gossip together – something that would have been rare 30 years ago.

Nevertheless, caste remains the single most important social distinction in village life. Everyone is aware of everybody else's caste. There is virtually no inter-marriage. Even though the main village temple is now open to all Hindus, the lowest castes worship at their own modest shrine.

"Why should we go anywhere else?" says Sugana, a 40-year-old mother of four. At the top of the village hierarchy, the Hindu landowners retain their dominance, filling the vacuum left as the Raja's family declined. But these households have had to fight for their success – mainly by supplementing farm incomes by finding city jobs for their children. A life that was once taken for granted has become a competition in which landowners have a head start but are no longer sure to win.

The worst excesses of the caste system have been curbed in Chanukhara. Thakurs can no longer beat the lower castes with impunity or rape their daughters. The advent of lower caste gov-

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Degas

Danseuses, 1899



Sold at Sotheby's for \$11 million in May, 1997

A World Record for a Pastel by the Artist

SOTHEBY'S

Chess No 1180. Not 1 a2? bxc3
2 bxa3 Kg3 when Black's h7
pawn mates at h2, not 1 Kg2?
Kg3 when Black's pawns but
1 g8 gxf2 Kg2 Kg3 3 a4 bxa3
on pawns + pawn HS 5 e4 Kg5
6 d6 cxd7 c8 d6 e5 a5 and

John Colicos